

50% DISCOUNT
Car Rental
 • At unbeatable prices • All new models
 • All sizes • Air-conditioned • radio • tape
 • Station wagons • Minibus for up to 12 passengers
YOURENT Co.
 6 Pines Street (opp. Central Hotel) Jerusalem
 Phone 240503 or 227943
 (24 hour service except Shabbat)

THE JERUSALEM POST

Vol. LIV, No. 16377 Monday, November 24, 1986 • Heshvan 22, 5747 • Rabia Awal 23, 1407 NIS 0.72 (Eilat NIS 0.63)

**EIGHT PAGES
FROM SUNDAY'S**
The New York Times
**WEEKLY REVIEW
INSIDE TODAY**

Iran arms row seen harming Israel, U.S. unity

By HIRSH GOODMAN
 Post Defence Correspondent
 Israeli officials yesterday expressed deep concern that the political imbroglio in the U.S. implicating Iran in arms sales to Iran will cause the suspension of American cooperation with Israel on a wide front of military and political matters.
 The agenda of strategic cooperation that could suffer serious setbacks includes:
 • A request to be granted Nato-like privileges on arms purchases;
 • An application to permit Israel to sell \$100 million worth of Kfir fighters to Honduras, with \$40m. to be paid by the U.S.;
 • A request to build new submarines and missile boats for the Israel Navy;
 • The controversial Lavi fighter project;
 • A request to lease 25 Cobra attack helicopters by the Israel Air Force.
 One Israeli official said yesterday, "We can expect to see almost all bi-lateral military negotiations grind to a standstill for a while, and a hostile climate developing towards Israel in Congress. This could, in turn, have a disastrous impact on trade agreements and Israel's efforts to receive ally status in Washington."

Also derailed will be a new American diplomatic initiative regarding the West Bank and Gaza which administration officials were getting set to launch.
 The principal aim of this new policy was to create a Palestinian leadership - either by election or selection - acceptable to Israel, Jordan, Egypt and the population in the West Bank and Gaza.

Such a group would then comprise a delegation that would be party to negotiations in the framework of the Camp David agreements. The subject of such talks would be autonomy and eventual territorial redefinition.
 Reagan administration officials were hopeful that setting such a process in motion, rather than pressing for an overall settlement, would have been a solid legacy on which a future U.S. president could base his pursuit of a peace agreement.

Last month in Washington, American officials quietly sounded out some key advisers to Prime Minister Yitzhak Shamir on this initiative. They were told the prime minister would not object to the process, provided it was limited to seeking legitimate Palestinian representation.

"This, like all else, is now frozen," The Post was told yesterday. "The questions is for how long."

Criticism mounts in Washington

By WOLF BLITZER
 Jerusalem Post Correspondent and Agencies
 WASHINGTON - Criticism of President Reagan's decision to authorize Israeli weapons shipments to Iran mounted yesterday as senior U.S. officials continued to bicker over their responsibility in the affair.

There were several reports of a possible White House and cabinet shake-up.
 The Washington Post reported that a group of Reagan's long-time California supporters were suggesting that Defence Secretary Caspar Weinberger replace George Shultz as secretary of state and that former UN ambassador Jeane Kirkpatrick replace National Security Adviser.

(Continued on Back Page)

Pressure on Pollard to implicate other American Jews in 'Israeli espionage ring'

By WOLF BLITZER
 WASHINGTON - The U.S. Justice Department has been trying to get convicted Israeli spy Jonathan Pollard to implicate other American Jews and Jewish organizations in alleged Israeli espionage activities in the U.S. The Jerusalem Post has learned.
 But Pollard, according to informed sources, has steadfastly rejected Justice Department insinuations that a broader Israeli spy network was operating in the U.S. "Pollard has not implicated anyone else," one informed source close to the investigation said. Since his arrest, he has been repeatedly and sharply questioned by an assortment of federal prosecutors, law

enforcement officers and intelligence officials.
 Under Pollard's plea-bargain arrangement, he promised to cooperate with the continuing Justice Department investigation. The outcome of the current investigation could affect his sentence, which is not expected before the end of January.

The investigators have been focusing on the activities of several national Jewish organizations.

American Jewish leaders are deeply aware of the suspicions among some senior Justice Department investigators that Pollard may have been part of a wider Israeli espionage operation in the U.S. The Jewish leaders have strongly denied

that any such network exists.
 They have, however, privately expressed concern that Pollard, during the course of extensive questioning and under a great deal of pressure, may make some statement to back up this allegation. Their fears have been aroused by the prevailing impression in the Jewish community that Pollard was supposedly somewhat unstable.

Their concern seems to have increased because of the deep personal bitterness and disappointment he expressed last Thursday during an exclusive interview with this reporter at the Petersburg federal prison in Virginia.

Pollard said he was "baffled" and "heartbroken" by the decision

of the Israeli government and the American Jewish community to effectively abandon him after his arrest outside the Israeli Embassy in Washington on November 21, 1985. Yet during the interview, he still proclaimed his deep love for Israel and for Jews everywhere. He said he still hoped to make aliya one day and to live "a productive life in Israel."

In recent days, several Israeli officials in Washington have expressed their personal view that the Israeli government did indeed behave less than honourably towards Pollard and his family over the past year. He was a devoted agent who provided Israel with very important information, they confirmed.

(Continued on Page 3)

Violence at Amedi memorial ceremony

Jerusalem Post Reporter
 "Vengeance - death to the Arabs," was the chant heard yesterday from hundreds of Jews, religious and secular, who attended a memorial gathering in the Old City for murdered yeshiva student Elihu Amedi.

As the crowd made its way from Damascus Gate to Akabat-el-Khalidiyah Street, where Amedi was stabbed to death by three Arabs a week ago, people pounded on the shuttered doors of Arab-owned shops and the entrances to buildings, and tried to smash windows of houses on both sides of the street.

Police tried to control the crowd of several hundred and stop any vandalism but were not always able to prevent windows being broken or shutters and doorways being kicked in.

Three Jews were arrested for causing disturbances last night and three others were detained by police on suspicion of arson against Arab-owned vehicles and buildings. A number of Arabs were attacked by Jews at several places in the city.

During the day, stones were thrown at an Arab as he drove through the Shmuel Hanavi neighbourhood, breaking a window of his car. Later in the afternoon a petrol bomb was thrown from a house in the Jewish Quarter of the Old City at an Arab-owned building nearby. No

one was hurt and no damage caused. Police later found two more petrol bombs in the vicinity.

A force of 300 police and Border Police, bolstered by 100 IDF soldiers, gathered in Khalidiyah Street and the surrounding area to deal with trouble. Many wore helmets and were armed with rifles, batons and tear gas equipment. They gathered in force at key points, and moved in quickly when tempers rose during the gathering at the spot where Amedi was killed, just yards from his yeshiva in Khalidiyah Street.

Speakers at the memorial ceremony included one of Amedi's three brothers, Ya'acov; relatives of Jews killed in previous individual attacks by terrorists, several rabbis, including the head of the Shvu Bonim (Birkat Avraham) Yeshiva where Amedi studied, and Rabbi Moshe Levinger of Khyat Arba; and David Ben-Dor, one of the leading members of the Kach movement.

None of the speakers made outright calls for vengeance or violence but there were frequent demands for the death penalty, as well as harsh criticism of Jerusalem Mayor Teddy Kollek, both of which drew sustained applause.

The police have posted a guard at the municipality and at Kollek's home because of threats against him. Kollek has sharply criticized the Shvu Bonim yeshiva and its students,



An Arab injured by Jewish rioters in disturbances in Jerusalem's Old City after yesterday's memorial service for slain yeshiva student Elihu Amedi is escorted away under police protection.

(Kahane/Media Images)

calling them "wild and irresponsible."

Ya'acov Amedi charged that the mayor's words and actions towards Jews in the area made him "the leading supporter of the PLO in

Jerusalem." Levinger accused "those responsible" for running the country of being responsible for the attacks on Jews because of their failure to adopt tough measures.
 (Continued on Back Page)

Police chief Kraus tells cabinet:

Yeshiva students harassed Arabs

By BENNY MORRIS and YORAM GAZIT
 Police Inspector General David Kraus yesterday told the cabinet that students at the Shvu Bonim Yeshiva in the Old City had for months intimidated their Arab neighbours, going so far as to urinate and defecate on their houses, before the murder last week by three Jewish youths of yeshiva student Elihu Amedi.

Briefing the ministers on the Jewish rioting in and around Khalidiyah Street and in Amedi's Shmuel Hanavi neighbourhood, Kraus said that the violence was instigated by "Kach activists, criminals and members of

families who suffered casualties at terrorist hands."

Kraus said that the police had information that Jews in the Old City, and possibly members of the Shvu Bonim yeshiva, had illegal weapons, including grenades and Molotov cocktails, hidden away. However, in a police search of the yeshiva some weeks ago no such weapons were found, he added.

Kraus described the week-long intimidation of Arabs after Amedi's murder, which included a spate of fire-bombings of houses and vehicles, beatings and stone-throwing. He said that a dozen Arab families had moved out of flats in the vicinity

of the yeshiva, but they could be expected to return to their homes after Anwar Nusseibeh's funeral today.

The police chief also revealed that two Arabs were arrested last week after they tried to stab a Jew in the Old City.

Interior Minister Yitzhak Perez expressed surprise bordering on doubt at Kraus's report about the yeshiva students' harassment of neighbouring Arabs.

Transport Minister Haim Corfu said later he had not heard Kraus refer to defecation. But he criticized the inspector general's report for

(Continued on Page 2, Col. 2)

Vanunu hopes to appear in court against Israel TV

By MENACHEM SHALEV
 Jerusalem Post Reporter
 Mordechai Vanunu may yet get his day in open court, when he will be called to testify in a civil action against Israel Television.

Vanunu's attorney, Amnon Zichroni, has decided to take ITV to court for violating his client's right to privacy. The suit will centre on ITV's November 14 broadcast of selected portions of Vanunu's private diary,

which were publicized without the former Dimona nuclear technician's consent.

Zichroni is apparently interested in getting Vanunu on the witness stand in a trial open to the public. Vanunu's criminal trial, stemming from his revelation of Israel's alleged nuclear secrets to The Sunday Times of London, will be held in camera.

Prof. Elihu Haroon, a Hebrew University authority on the laws of

evidence, told The Jerusalem Post last night that even in a civil suit a court is empowered to order that proceedings be conducted in camera.

ITV is expected to defend its broadcast of Vanunu's diary by citing the public's right to know and the professional, journalistic imperative to publish the diaries, which shed light on Vanunu's motives.

Saddam Hussein's weapon of last resort

Iraq making deadly form of nerve agent

By HERBERT KROSNY
 Special to The Jerusalem Post
 DRIVING DOWN from Samarra in mid-Iraq, the highway forks right after about five kilometres, and another 30 kilometres brings the visitor to the Iraqi State Establishment for the Production of Pesticides, (Sepp), on the left-hand side of the road.

Sepp is spread over an enormous, 25 square-kilometre area located on a plateau in mid-desert. Here, far from the highway, enclosed within an inner perimeter fence through which only those with the highest security clearance are permitted entrance, guarded by Iraqi soldiers and with SA2 missiles scattered nearby, are not only pesticide plants, but a series of some eight or nine buildings, some with the appearance of low-slung hangars 100 metres in length.

A few of the buildings are topped by short chimneys. These chimneys, identifiable by satellite photos, puff out noxious fumes of smoke, the tip-off to Western intelligence experts that the Iraqi's elaborately-constructed facility is at work.
 To Iraqi ruler Saddam Hussein's admirers, he is a great leader, a second Master for the Arab world, and the "perfume of Iraq." The smoke

curling from the chimneys, however, is hardly perfume. Stored in depots around the edge of the facility, in huge containers, are the highly toxic substances that constitute Iraq's weapon of last resort.

Poison gas and chemical nerve agents, banned in warfare as "anti-humanitarian" following the experience of World War I, are capable of inflicting some of the most appalling tortures known to man. The nerve agents are not only inhaled, but

can penetrate the skin. They destroy motor function, force involuntary flows of saliva and urine, and can cause body-shattering convulsions. Death becomes a merciful end.

So far, only Iraqi use of mustard gas, similar to what was used in World War I, and a modern nerve agent called "tabun" invented in top secrecy by Nazi scientists in 1936, has been confirmed by an on-site United Nations inspection team visit to Iran in the fall of 1984.

However, this investigation reveals an Iraqi pattern of purchases designed to produce an even more advanced and deadly form of nerve agent, also invented by Nazi scientists in the late 1930s, called "sarin." Considered 10 times stronger than tabun, it can be produced in quantities estimated by Western government officials in three countries at four tons a month. In all, Iraq is able to produce some 1,000 tons of poison gas and nerve agents yearly.

Iraq's quest for a sophisticated chemical industry capable of producing both pesticides and modern chemical warfare agents began in 1975. But the Iraq of the mid-70s, basking in billion-dollar oil wealth, had bigger fish to fry - including the construction of a powerful alternative to chemical weapons, its French-supplied nuclear reactor at Tuwaitah near Baghdad. This promised to give the Iraqis, within a seven-year period, enough plutonium for the Arab world's first atomic weapon. Chemical warfare was pushed into the background.

Iraq invaded Iran in September 1980, and after initial successes, met fierce resistance.

(Continued on page 4)

Chief rival Enrile resigns

Aquino fires her entire cabinet to prevent plot

MANILA (AP). - President Corazon Aquino yesterday preempted a coup against her by firing her entire cabinet, including her chief rival, Defence Minister Juan Ponce Enrile. But political observers said the threat against her presidency has not been eliminated.

Aquino dismissed all 25 cabinet ministers after the chief of the Armed Forces, General Fidel Ramos, disclosed a plot against her by politicians loyal to deposed President Ferdinand Marcos. The plot was backed by some military officers.

Aquino warned opponents of "sterner measures" if they tried to destabilize her nine-month-old government.

A senior government official said the planned coup involved taking over the National Assembly, reinstating the legislature Aquino had abolished, and calling for new presidential elections.

The official, who asked not to be identified, claimed more than 100 members of a military faction linked to Defence Minister Enrile were involved in the plot, which was to have been launched at 2 a.m. yesterday. The official said the government learned of it four hours before it was to have taken place.

Troops loyal to Aquino and Ramos took over radio and television stations in Manila and elsewhere late Saturday night, and stepped up security measures at strategic points in the capital.

The official said he did not know if Enrile himself knew anything about the alleged plot.

After a cabinet meeting lasting

several hours, Aquino announced on national television that she had accepted Enrile's resignation and immediately swore in 66-year-old retired Gen. Rafael Nieto as the new defence chief.

The entire cabinet resigned, and it was not known if some members would be reappointed. Nieto was the only new cabinet member announced.

"We need a fresh start," Aquino told television viewers. "Of late, my circumspection has been viewed as weakness, and my sincere attempts at reconciliation as indecision. This cannot continue." She added that "preventive measure had been taken against the recklessness of some elements in the military," and warned that "the sternest measures will be taken against them if they try."

Enrile refused to see a group of reporters waiting outside his home in a fashionable suburban village, but sent his daughter Katrina out to talk to them.

"My father just wants the press to know that as far as he is concerned, he's out of government service, and [would appreciate it if he] could be spared from making any more statements," she said. Her father "is taking it very well," she added.

Enrile was in the government for more than two decades. His fall from power came after a four-month-long rift with Aquino over her policies, including her efforts to negotiate a cease-fire with Communist rebels.

In Washington, the government and senior Congress members reaffirmed their "strong and unequivocal" support for President Aquino and expressed satisfaction at the failure of the reported coup attempt.

(Related story - Page 3)

Socialists win Austrian election

VIENNA (Reuters). - The ruling Socialist Party (SPO) retained its relative majority in the Austrian general election yesterday, triggering intense negotiations on a future coalition government.

Official figures showed that SPO

won 80 seats in the 183-seat parliament, the conservative opposition People's Party (OVP) 76 seats, the right-wing Freedom Party - the major winner - took 18 seats and the Greens entered parliament for the first time with nine. (See Page 3).

Interested in a good short-term investment? Choose between the wide range of -
"Free Sheqel" Short-Term Investment Opportunities at Israel Discount Bank

Are You Looking for a Flexible Deposit?

If so, two alternative investment plans are available. Both are based on the principle of automatic renewal and offer you an open-ended savings opportunity combined with flexible withdrawal options. Principal and accrued (compounded) interest, are paid at the end of each deposit period.
"Pakam" (Floating Interest Deposits) - one-month revolving deposits, automatically renewable, offering high interest at rates that "float" in accordance with the Bank's "prime" rate.

Do you need a Fixed Period Deposit?

If so, the following plans grant you the opportunity to invest your funds for a fixed period of your choice and to be credited with the principal and accumulated interest at the period's end.
"Paran" - the Floating Interest deposit plan, for one-month deposits at "floating" rates of interest.
"Pakatz" - the Fixed Period deposit plan, for deposits of from 2 to 12 months, at a fixed rate of interest.
"Chen" - the Liquid deposit plan - a novel opportunity for complete investment freedom,

in two attractive variations. You deposit a pre-determined sum each month, by standing order, to earn high interest and to enjoy maximum flexibility in effecting withdrawals.

Do you require Current Income?

If so, invest in an automatically renewable "Paran" or "Pakam" deposit, furnishing instructions for the interest it earns to be credited to your checking account at the end of each deposit period. This will assure you a fixed amount of current monthly income consistent with the size of your investment.

ISRAEL DISCOUNT BANK
 Winner Tamir Cohen (Jecobson)

FOREIGN AND REGIONAL NEWS

Right-wing Freedom Party is clear winner Austrian Socialists lose votes but retain relative majority

By ILONA HENRY
Jerusalem Post Correspondent
VIENNA. — The two major parties in Austria's parliament sustained heavy losses in yesterday's parliamentary elections. Emerging as the clear winner of these elections was right-wing Freedom Party leader Jörg Haider, who succeeded in doubling his electoral vote.

The Socialists, who lost 10 seats, still hold the relative majority with 80 seats in the 183-member House. The People's Party now holds only 76, having just lost five seats.

Haider, who recently overthrew his liberal predecessor in his party, will add eight seats to his already existing 12. He succeeded in attracting the "protest voter" potential

within the last two months. These voters come equally from the Socialist-dominated industrial areas as well as from the agrarian district where the conservative People's Party lost voters to Haider.

The environmentalist Greens will enter parliament for the first time in Austrian history with eight deputies.

These results indicate that the next Austrian government may have a different character. The Socialists cannot rule alone, although their Chancellor — Franz Vranitzky — as representative of the strongest party, will be entrusted by President Kurt Waldheim to form the new government.

The Socialists have ruled out the possibility of a coalition with Haider,

who represents the nationalistic wing of his Freedom Party, and will probably approach the People's Party with a "grand coalition" proposition.

Led by Alois Mock, this big opposition party has not ruled out completely a coalition with the Freedom Party. But several times during the election campaign it claimed that only the two biggest parties are able to efficiently solve the country's economic problems.

Haider said he wanted to act as an attractive opposition power in parliament. "We have shown the old party just what we are capable of," he said. "We are a solid power now and have a great sense of responsibility — and we won't let anybody push us into any extremist corner."

Bombs Syria's, terrorists tell Berlin court

Bumbling is hallmark of abortive bid

BERLIN (AP). — The trial of two accused Palestinian bombers has revealed a terrorist plot marked by bombs that did not explode and sibling pressures to carry out an action with muddled political goals.

The trial of Palestinians Ahmed Nazar Hasi and Farouk Salameh, which resumes today, has provided a rare glimpse into the terrorist world. But the picture that emerges contradicts the image of deadly efficiency and ruthless fanaticism associated with terror groups.

Instead, testimony has portrayed defendants struggling to figure out why their bomb failed to go off twice and disagreeing over who was to pick up the unexploded device.

The two men said they were talked into carrying out the March 29

bombing of West Berlin's German Arab Friendship Society by Hasi's brother, Nizar Hindawi, who was convicted last month in London for trying to plant a bomb in an El Al plane.

"I had no personal reason to be against them (the society)," Hasi said in pre-trial testimony read into the court record last week. "I was influenced by my brother."

Neither defendant seemed certain why the Friendship Society was chosen as a target. "I assume they (the society) did not have the right political orientation," Hasi said in a pre-trial statement.

Salameh, in his statement, speculated that Hindawi wanted to prove to Syria that he had an organization capable of staging a bomb attack in Europe.

The Berlin trial is being closely monitored by western governments for information about Syria's role in international terrorism.

Hasi, 35, and Salameh, 39, who both carry Jordanian passports, testified they smuggled explosives from the Syrian embassy in East Berlin to West Berlin and planted them outside the Friendship Society Office.

The defendants told the court that on two occasions, they planted the bomb but were forced to go pick it up after it failed to explode. Eventually, they contacted Hindawi in London, who promised to send an explosives expert.

"A week later the expert came," Hasi said. "I assume he came from Syria."

Two security men killed in S. African townships

CAPE TOWN (Reuters). — Two security force members were killed in an upsurge of violence overnight in South Africa's black townships, the government said yesterday.

The Bureau for Information, which has controlled reports of political violence since nationwide emergency rule was imposed in June, said four other security force members were injured in attacks on three of the country's four townships.

The men who died were stabbed in separate attacks in Cape townships. "Stone-throwing and petrol-bombing took place throughout the country," a bureau report said.

A bureau spokesman declined to say if the dead men were black or white, or to which force they belonged.

Since black revolt began to sweep the country two years ago, the mainly white regular police and army have been backed up by new, armed black municipal and special constable forces.

The bureau had no immediate comment on extensive reports in a Johannesburg newspaper yesterday which strongly suggested that an 11-year-old boy who died in a bus shooting in Soweto earlier this month was killed by white policemen.

After Bongani Kheswa died on November 5, eyewitnesses said he was shot by white men seen driving around Johannesburg's sprawling township complex in a bus owned by the Putco company which takes black commuters to and from work.

Mubarak joins in rebuking Reagan

CAIRO (Reuters). — President Hosni Mubarak of Egypt, Washington's main Arab ally, joined Jordan's King Hussein in rebuking the U.S. for its support of the Middle East peace process.

Mubarak told reporters after two days of talks with Hussein that he had been astonished at the reports.

He said he had sent a message to President Reagan "asking him — and I am still asking the U.S. — to do something in order not to lose its credibility in the Arab world... Because I am afraid it is starting to deteriorate."

Hussein, who appeared with Mubarak at the press conference before flying back to Amman, did not repeat the harsh denunciations of Washington's secret deal which he made Friday. But he said he "failed to understand the American logic."

The warning from Mubarak and Hussein of U.S. loss of credibility in the Middle East reflected the general dismay of moderate Arab states over Washington's secret arms trade with Iran, and their newspapers, which generally reflect official views, have reacted with a mixture of outrage and incredulity.

Kuwait yesterday criticized the delivery of arms to Iran as a step that could "undermine the responsibility" of the U.S. as a superpower.

India bothered by Herzog's stopover in Sri Lanka

COLOMBO (Reuters). — India has complained to Sri Lanka about President Chaim Herzog's stopover in Colombo last week. High Commissioner Jyotindra Dixit said yesterday.

Dixit met President Junius Jayewardene last night for talks on New Delhi's peace plan to end the ethnic conflict between majority Sinhalese and minority Tamils on the island.

Sri Lankan and Israeli officials said Herzog's surprise six-hour visit on Thursday at the end of his 19-day tour of Asia and the Pacific was private.

It was the first visit to Sri Lanka by an Israeli head of state. Colombo severed diplomatic ties with Israel in 1970 but two years ago allowed it to open an interests section in the U.S. embassy building.

President Jayewardene said earlier this year that his government had bought arms from Israel and Pakistan to fight Tamil rebels demanding an independent homeland in the north and east.

New Manila defence chief is known as 'straight guy'

MANILA. — One thing that Rafael Iletto and Juan Ponce Enrile have in common is that they are both rabid anti-communists. "Straight guy" Iletto replaced the general as defence minister yesterday after an abortive coup against President Corason Aquino's government in which Enrile was implicated.

Iletto trained the elite troops guarding President Aquino, successfully beat a communist insurgency in the 1950s, and opposed the imposition of martial law in 1972.

Asked to comment yesterday on the political situation in the Philippines, Iletto said: "There are too many people who want to become president."

A professional soldier-turned diplomat, he has a reputation as "a straight guy" and is widely respected by the 250,000-strong Philippine armed forces.

Iletto, 66, a graduate of the U.S. military academy at West Point and a former ambassador to Iran, cuts a fatherly figure above the bickering and power struggles in the military.

"I am disappointed with the army," he told reporters last week. "There have been charges of widespread corruption, human rights violations and lack of discipline by troops in the countryside."

Iletto was among the prominent figures who supported Enrile and military chief Fidel Ramos when they broke away from Marcos. As the military's vice chief of staff, Iletto opposed Marcos's imposition of martial law in 1972 and was then sent abroad as ambassador to Iran, a post with which he was not happy.

A military officer who asked not to be named said Iletto was believed to have been a close ally of Aquino's assassinated husband Benigno, Marcos's arch-rival.

"He (Iletto) was suspected by Marcos as the one who leaked a plan by Marcos to declare martial law, which was code-named Plan Sagitarius. The plot was exposed by (Benigno) Aquino in a speech in the senate shortly before martial law was declared in 1972," the officer said.

Enrile's dismissal culminated a growing rift between him and Aquino that had threatened the fledgling government she established with his help.

Enrile, 62, served ex-president



President Aquino swears in her new defence minister, Rafael Iletto, following Juan Ponce Enrile's resignation in Manila yesterday. (AFP telephoto)

Romania holds poll to reduce its army

BUCHAREST (Reuters). — President Nicolae Ceausescu led millions of Romanians yesterday in a communist-style referendum endorsing unilateral arms cuts and urged similar reductions by both Washington and Moscow.

Romanian officials forecast an 84 per cent turnout from the 18 million voters, who include 1.5 million teenagers.

The poll took place at factories and offices throughout the country. Voters were asked to sign their names either to "yes" or "no" on the issue of the 5-per-cent cuts, which already have been effectively passed by parliament.

Western military experts in Bucharest believe the reductions will hardly dent Romania's military strength or that of the Warsaw pact. But the streets of the Romanian capital were crowded yesterday with thousands on their way to vote despite wintry weather. Buildings were decorated with slogans, flags and pictures of the 67-year-old Romanian leader.

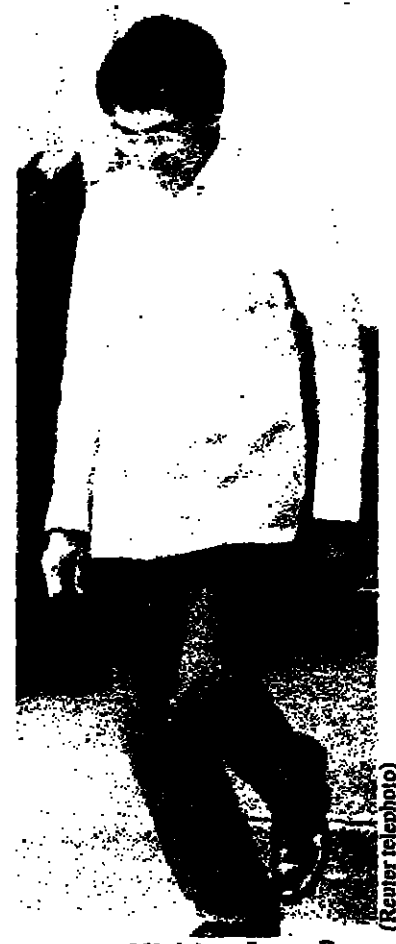
112 die in Iraqi air raid

TEHRAN (Reuters). — Iraqi planes killed 112 civilians, including women and children, in bombing raids on two west Iranian cities yesterday, the national news agency Irna reported.

Quoting a military communique issued in Teheran, the agency said the Iraqi jets hit Estahabad-e-Gharb, south-west of Teheran, as well as the near-by provincial capital of Bakhtaran some hours after an Iranian missile attack on Baghdad Saturday.

31 Tamil rebels killed

COLOMBO (AP). — Security forces killed 31 Tamils and injured scores of others in four days of military operations in northern and eastern Sri Lanka, according to reports yesterday.



Defence Minister Juan Ponce Enrile walks out of the presidential palace in Manila yesterday after President Aquino accepted his resignation. (Reuters telephoto)

NEWS IN BRIEF

PLO Stockholm office denies wrongdoing

STOCKHOLM (Reuters). — The PLO's Stockholm office angrily denied any wrongdoing yesterday after its number-two staff person, Hala Saleme, was ordered out of the country by Swedish authorities "for activities incompatible with her official duties."

Swedish newspapers have said Saleme had links with the Abu Nidal terror group and her office was believed to be arranging "safe havens" in Sweden for Palestinian terrorists.

UK soldiers injured in Irish attack

BELFAST (Reuters). — Several British soldiers were slightly injured in an IRA cross-border mortar attack yesterday on a heavily guarded joint police-military base some 65 kilometres west of Belfast, police said.

A spokesman said the soldiers were struck by flying debris from the bombs when three exploded inside the border base at Middleton, in County Armagh, close to the Irish republic.

'SDI a Great Wall'

MOSCOW (AFP). — Washington's urge to develop the Strategic Defence Initiative (SDI) or "Star Wars" resembles an ill-fated effort 2,000 years ago to make the Great Wall the ultimate defender of Imperial China, according to a letter published in Pravda yesterday from a Chinese teacher.

The letter adds the wall was "ineffective and costly," showing only that "attempts to build unilateral military superiority surely lead to greater confrontation."

Arab Summit in Kuwait

KUWAIT (AFP). — The 13th Arab summit, repeatedly postponed since 1983 because of dissension among Arab states, could take place in January 1987 in Kuwait alongside the fifth Islamic Summit, the Kuwaiti newspaper Al Qabas said yesterday, quoting official Kuwaiti sources.

Paris protests planned cuts in education

PARIS (AFP). — Tens of thousands of demonstrators marched through the streets of Paris yesterday in protest against the government's education policies and planned reforms in the state-school system.

UK Defence Minister on first visit to Jordan

AMMAN (Reuters). — British Defence Minister George Younger has arrived on his first visit to Amman as Britain seeks to sell 40 Tornado jet fighters to Jordan.

A British Embassy spokesman said Younger arrived Saturday night from Oman where British and Omani forces are conducting maneuvers.

PFLP demands Arafat annul accords with Egypt, Jordan

By MURAD AL-IMARI
Yasser Arafat's Fatah movement will have to break off relations with Egypt and abrogate its political accord with Jordan before it can begin any reconciliation dialogue with its rival Popular Front for the Liberation of Palestine (PFLP).

The two demands reportedly were set out by PFLP leader George Habash during talks last week in Prague with Arafat's deputy, Abu Jihad (Khalil Wazir), according to a PFLP statement broadcast by Radio Monte Carlo on Saturday. Habash and Abu Jihad were reportedly to have flown to Moscow late last week to resume their discussions.

Fatah has offered to abrogate its 1985 Amman accord on political coordination with Jordan — but only after a national "reconciliation dialogue" formally begins between various PLO factions, to be followed immediately by a new session of the Palestinian National Council, the Palestinian parliament-in-exile.

The Fatah offer was part of a four-point package laid out by Abu Jihad in Prague on behalf of the Fatah Central Committee.

Fatah also has demanded that the PFLP announce its withdrawal from organizations outside of the PLO's framework prior to any reconciliation meeting, the radio reported.

Habash, in replying to the Fatah demands, said that any reconciliation accord between rival PLO factions must "close the two gates of the American solution — Amman and Cairo" — and this requires the breaking of PLO relations with Egypt, as well as abrogation of the Amman accord. The PFLP is the Fatah's largest PLO rival.

We're as American as Turkey and Pumpkin Pie...

...and we're throwing a great Thanksgiving party to prove it on THURSDAY, NOVEMBER 27th.

AMERICAN COLONY HOTEL

This year celebrate Thanksgiving in style with us. The superb traditional dinner is available any time from 12 p.m. until late evening. And from 7.00 p.m. there's real American music with the well-known TAVERNERS. Just the right sort of old time American ambience for you.

\$18 plus VAT per person. Reservations 282421.

From 7.30 p.m. **\$20 plus VAT.** Children up to 8 years free, and from 7-12 years 50% reduction.

Prices in Dollars for Tourists.

noga, haifa Jewelry manufacturers — gold, diamonds and precious stones.

HAIFA, Kiryat Eliezer, 10 Rehov Zvi, Tel. 04-222022. Open continuously every day.

Eilat, Elat Diamond Centre, Tel. 069-77679. We buy old gold.

POLLARD

(Continued from Page One)

But they noted that the government was primarily concerned about the "bigger" issue of U.S.-Israeli relations rather than the fate of Pollard. They expressed confidence that the Israeli government would eventually take some steps to help Pollard and his family, especially with the enormous legal costs they have borne.

Israeli officials and American Jewish leaders declined to comment publicly on Pollard's interview, which was the first he has granted since his arrest. Privately, however, several of them noted that Pollard's comments contrasted sharply with his earlier public image as a self-promoter and mercenary, spying for Israel in exchange for money.

Pollard, while acknowledging that he made a bad mistake by agreeing to spy for Israel, insisted that his motives were pure. He said that he was acting strictly out of his Zionist commitment to Israel.

As a civilian intelligence analyst for the U.S. Navy, he had come across what he described as very frightening information concerning security threats facing Israel. After learning that this information was not routinely being provided to Israel through official channels, he decided to act on his own. He strongly denied that he was part of any broader American Jewish spy network operating for Israel.

Pollard, during the three-hour interview with The Post, maintained that he never actually spied "against" the U.S. He said he merely provided Israel with information concerning Arab military threats.

Besides the four Israeli officials named in the federal indictment against him last June, no other people have been implicated in the op-

The European Resort of Jerusalem
HOLYLAND HOTEL
Take a walk in the forested grounds, visit the world famous **MODEL OF JERUSALEM AT THE TIME OF THE SECOND TEMPLE** play a round of mini-golf or a set of tennis, or just relax at the **HOLYLAND HOTEL**

Make your reservations by contacting: Tel. 02-630201/661101. Telex-25336

THE BEST DOG FOOD
Delivery to customer's house. 10 kg. — NIS 22 including VAT and delivery.
HAGAR LTD.
Tel. 03-349735, 03-296631.

THE PHILHARMONIC JUBILEE PARTY

As part of the jubilee Events of THE ISRAEL PHILHARMONIC ORCHESTRA there will be on Wednesday, 31 January 1987 **A GALA BALL** beginning after the concert and until the next morning

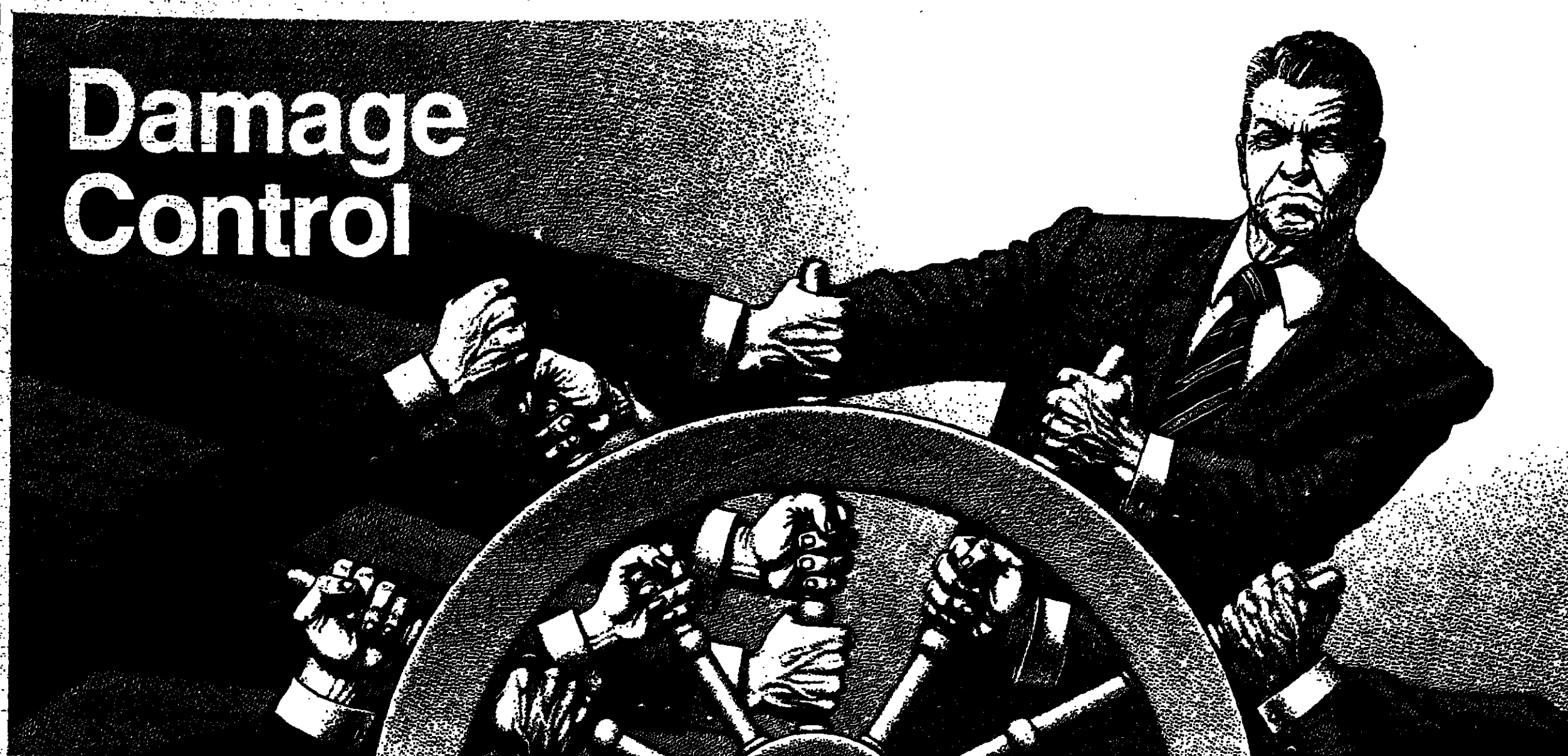
The programme: A special gourmet dinner, surprise appearances, dances and breakfast.

The Hosts: Maestro Zubin Mehta, IPO's soloists and its members.

All proceeds are dedicated to the development and advancement of the IPO.

TICKETS: may be ordered at the office of the IPO Patrons' Circle, Mann Auditorium, 1 Huberman st., Tel-Aviv, telephone 03-295092 daily between 10-13, and in the afternoons 16-18 at 03-5460633 (Zehava Caspi) or 03-5460232 (Ora Leventon).

Damage Control



Reagan's Lonely Defense of a Deal With Iran

By BERNARD GWERTZMAN

WASHINGTON
AT a dinner for Senate Republicans the other night, President Reagan cracked a joke. "I'm glad to be out of Iran," he said. Unfortunately it is not proving that easy for Mr. Reagan to put Iran behind him. Despite a nationally broadcast speech 10 days ago and a news conference last week, the President has so far seemed unable to convince politicians or the public that the policy of secretly selling arms to Iran, which apparently led to the release of American hostages in Lebanon, was wise or correct.

Indignation and amazement over the policy have threatened to make it the most serious blot on Mr. Reagan's record during two terms in office. And the stain keeps spreading.

The disclosures about the sale of \$12 million worth of weapons to Iran raise issues beyond the question of whether such transactions were a mistake when there was a well-established policy against providing arms to Iran as well as an Administration effort to persuade other countries to refrain from doing so.

Still, the President stuck to his decision. "As Mr. Lincoln said of another Presidential decision," Mr. Reagan declared, "if it turns out right, the criticism will not matter. If it turns out wrong, 10 angels swearing I was right will make no difference."

The President also said, "I understand this decision

is deeply controversial, and some profoundly disagree with what was done. Even some who support our secret initiative believe it was a mistake to send any weapons to Iran. I understand and I respect those views. But I deeply believe in the correctness of my decision."

The President added, however, that "to eliminate the widespread but mistaken perception that we have been exchanging arms for hostages, I have directed that no further sales of arms of any kind be sent to Iran." The disagreement was sometimes sharp. Robert C. McFarlane, the former White House national security adviser and the originator of the arms initiative, said last week that he now believed it was a "mistake." This led Donald T. Regan, the chief of staff, to lash out at Mr. McFarlane during a staff meeting, saying: "Let's not forget whose idea this was. It was Bud's idea. When you give lousy advice, you get lousy results."

The tension and contentiousness over Iran are raising issues that cut close to the heart of this Administration. Questions are being asked about its ability to do more than run a caretaker Government for the remaining two years of Mr. Reagan's term, especially with the Democrats taking control of the Senate in January.

There was some doubt about the role of Secretary of State George P. Shultz, who had always been seen as Mr. Reagan's strongest adviser on foreign affairs. Mr. Shultz was reported to have been opposed to the Iranian arms sales, but also either isolated from or in-

different to what was happening in the operation.

After raising publicly the possibility of resignation, Mr. Shultz seemed satisfied that Mr. Reagan, after first defending his policy as "correct," announced that no more arms would be sold to Iran.

But behind the scenes Mr. Shultz was also trying to set guidelines that would re-establish his primacy in foreign affairs and restore his reputation as a man whose word can be taken as a true reflection of White House policy. He had to admit publicly last Sunday that he opposed the arms sales but was unable to say if he spoke for the Administration. This was an indignity felt deeply by many in Washington's foreign policy establishment.

Shultz and Poindexter

There was considerable speculation that a shakeup was inevitable in the foreign policy apparatus. If Mr. Shultz remained, there was some doubt whether Adm. John M. Poindexter, the national security adviser, could also stay. There is disagreement over whether Admiral Poindexter kept the operational details secret from Mr. Shultz, which might make it difficult for them to cooperate.

Mr. Reagan, in deciding Jan. 17 to approve the clandestine program with Iran, also directed that the Central Intelligence Agency not inform the Congressional intelligence committees, basing his decisions on an interpretation of the law by Attorney General Edwin Meese 3d.

This caused an uproar in Congress, particularly

among the Democratic leadership that assumes command in January. William J. Casey, the Director of Central Intelligence, testified in hearings Friday before the House and Senate Intelligence committees, while Admiral Poindexter met informally at the White House with committee members.

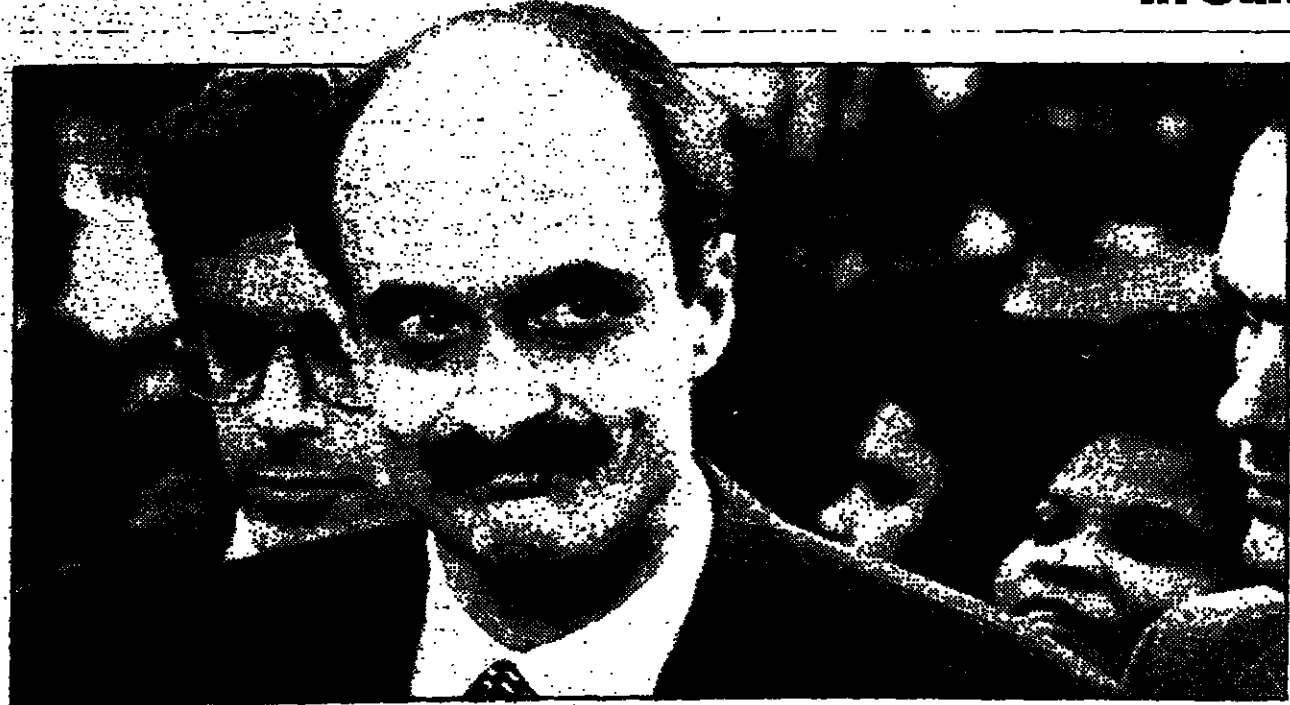
There were no astounding revelations. The disclosures seemed only to fortify the view of those in Congress who had been arguing that the Iranian operation was ill-conceived, amateurishly carried out and an embarrassment to the country. The release of the hostages seemed to fade as a factor in the debate.

So far, despite his reputation as the Great Communicator, the President appears to have misjudged the impact of his policy, which is being attacked as evidence of hypocrisy at very high levels. His critics, and some supporters, believe the President compounded his problem in two exceptionally poor public appearances that left many questions unanswered.

The President has never been comfortable dealing with the details of foreign policy issues. And in his news conference, he not only tripped over facts several times, but did not seem to recognize the harm he was doing to his own cause by failing at first to mention Israel's role in the affair.

"The key question the President should ask himself," one senior State Department official said the other day, "is whether he would have authorized arms to Iran if there were no hostages. The answer would have to be no. That's why his denying a deal sounds so hollow."

In Summary



Michael Chertoff, chief prosecutor in Mafia trial, outside Federal court in Manhattan after the verdict last week.

8 Are Convicted Of Running Mafia 'Commission'

Carmine Persico, boss of the Colombo crime family, called the prosecution's case a "bus trip" through "hinseltown," but the jury was convinced. Mr. Persico and seven other defendants were convicted in Federal District Court in Manhattan last week of operating or helping operate a New York-based Mafia "commission" that adjudicated disputes throughout the United States.

The 10-week trial had been dramatic. It was the first case in the Federal Government's nationwide assault on organized crime to focus on what the prosecution called the Mafia's "board of directors." The verdict took 20 minutes to read, and when the jury foreman had finished

she brushed tears of strain from her eyes.

Two bosses in addition to Mr. Persico, who is also known as Junior and who served as his own lawyer, were among the eight convicted. They were Anthony (Fat Tony) Salerno of the Genovese family and Anthony (Tony Ducks) Corallo of the Lucchese family. The others were: Genaro (Gerry Lang) Langlella, underboss of the Colombo family; Anthony (Bruno) Indelicato, a captain in the Bonanno family; Ralph Scopo, a soldier in the Colombo family; Salvatore (Tom Mix) Santoro, underboss of the Lucchese family; and Christopher (Christie Tick) Furnari, the counselor in the Lucchese family.

Each faces multiple 20-year terms on charges that they conducted the affairs of the ruling council in a racketeering pattern that included murder, loan-sharking, labor payoffs and extensive extortion in the concrete industry in New York City.

Nobody saw the verdict as a death blow to what the trial's chief prosecutor, Michael Chertoff, called "the largest and most vicious criminal business" in the country's history. But the United States Attorney, Rudolph W. Giuliani, said the ruling council had been dismantled. William Doran, chief of the Federal Bureau of Investigation's criminal division in New York, said that if the convictions are upheld there will be a power vacuum that could cause turmoil and facilitate future undercover operations.

"A lot of networks are going to crumble," said Thomas L. Sheer, director of the F.B.I.'s inspection division. "Tony Salerno knows where to go if he wants to get something done. These new Young Turks who are taking over can't go behind the scenes because they don't know who's trustworthy."

Since last year, investigations by the F.B.I., which insisted for years

that the Mafia did not exist, have resulted in major Mafia prosecutions in New Jersey, Kansas City, Boston and Philadelphia, among other places. And in Washington, encouraged by the verdict in New York, Federal law-enforcement officials said last week that they would step up efforts to move against corrupt labor leaders.

Measured Words From the Vatican

American Catholics have been worrying aloud for months about the rift between their leaders and those in Rome, but Pope John Paul II made it clear last week that he is not one for airing differences. "I don't talk, I don't say," he replied when pressed for comment about relations between the Vatican and liberal elements in the American Church. "Sometimes one creates divisions, divisions which don't exist."

The Pope's remarks came a few days after the National Conference of Bishops adjourned its annual meeting. Much of that session was spent in heated deliberation of a plea by Archbishop Raymond G. Hunthausen of Seattle that the bishops protest the Vatican's decision to strip him of some authority. In the end they issued a statement pledging loyalty to the Pope, but the president of the conference, Bishop James W. Malone, made the highly unusual suggestion that the bishops meet with John Paul to discuss the "growing and dangerous disaffection" before his visit to the United States next September.

The official Vatican newspaper did not report the request. The Pope told journalists who questioned him last week about such a meeting, "I suppose it is a normal proceeding among us bishops, among the United States bishops and the Pope." He said little more.

The bishops are concerned not only about Archbishop Hunthausen, who was accused of failure to en-

force doctrinal precepts and must now share his pastoral authority with an auxiliary bishop, but also about the Vatican's disciplining of the Rev. Charles E. Curran, the Catholic University theologian, and of some American nuns.

The Pope, who is on a two-week tour of Asia, also set conditions for a possible trip to the Soviet Union, insisting that the Soviet authorities allow him to visit Roman Catholics in Lithuania. He has been denied permission to do so in the past.

Last week John Paul visited Bangladesh, Singapore, Fiji and New Zealand.

Insuring Against A Costly Illness

A wide range of programs to protect millions of Americans against the costs of catastrophic illness were proposed last week by the Secretary of Health and Human Services.

"A catastrophic illness can be a short-term condition requiring intensive acute services or a lingering ill-

ness requiring many years of care," said the Secretary, Dr. Otis R. Bowen. "It can affect anyone: the young, the middle-aged, the elderly. A catastrophic illness is financially devastating and requires personal sacrifices that can haunt families for the rest of their lives."

For the elderly, he proposed expanding Medicare so that no beneficiaries would have to pay more than \$2,000 a year for acute care. To obtain this additional coverage, each beneficiary would be asked to pay an extra \$4.92 a month in premiums. Each year, about 800,000 of the 28 million elderly people covered by Medicare face out-of-pocket costs exceeding \$2,000 for acute care.

Dr. Bowen also recommended tax incentives that would encourage individuals to save money and private companies to provide coverage for long-term care in nursing homes. The average cost of nursing home care is \$22,000 a year, he said; Medicare and private insurance now pay very little of this expense for the 1.4 million elderly people receiving such care.

To protect those younger than 65, Dr. Bowen said, states should require coverage for catastrophic illnesses in all health insurance offered through employers, and the Federal Government should offer full tax deductions for the cost of such coverage to self-employed people and unincorporated businesses.

The tax incentives, he acknowledged, could result in substantial cost to the Treasury; in addition, some conservatives in the Reagan Administration have objected to the Medicare proposal on the grounds that it increases the role of the Federal Government at the expense of private insurers. Dr. Bowen said the new benefits, at least at the levels he proposed, could be financed entirely by the \$4.92 monthly premium.

"This is my report," Dr. Bowen said Thursday. "It has not been endorsed by anyone except me. I know that it will provoke much debate, and that is good."



Dr. Otis R. Bowen discussing proposals in Washington last week.

The World

North Korea's Leader Survives Death Reports

North Korea and South Korea do not say much to each other, and when they do communicate it can be hard to know who is telling the truth.

This was the case last week when South Korea reported that the North Korean leader, Kim Il Sung, had been assassinated. South Korean officials said the Communist leader, who has ruled in the North since 1948, had been shot to death.

The information, the South Koreans said, came from North Korean announcements made over loudspeakers along the border, near the village of Panmunjom, where the armistice effectively ending the Korean war was signed in 1953.

The announcements, the South Koreans said, seemed genuine and even poetic in spots, saying, for example, "Our leader, Kim Il Sung, flows in the river as a leaf."

Reports about the death continued for two days, but on Tuesday one announcement said, "Do not be deceived by groundless rumors that our leader, Kim Il Sung, is dead," and Mr. Kim appeared in a photograph, released by his Government, greeting the visiting President of Mongolia.

The South Koreans said they had been taken in by a hoax. One ranking official, acknowledging the ruse, added, "It is also true that most Korean people wish him dead."

Some officials and diplomats theorized that the North had put out false information to embarrass the South and damage its credibility.

Others speculated that the South may have fabricated the reports to disturb the North, then use possible disorders there as a pretext for further repression of political opposition at home.

There was no evidence to support that analysis.

Syria Is Linked To Berlin Bombing

The purported Syrian connection to terrorism was explored again in court testimony in Europe last week.

Ahmed Nawaf Mansour Hazi, a Jordanian and Farouk Salameh, a Palestinian, went on trial in West Berlin and admitted responsibility for an explosion that injured nine people last March at an Arab social club in Berlin.

Before the trial, Mr. Hazi said he had obtained the bomb at the Syrian Embassy in East Berlin from a man named Abu Ahmed. In court, he said his pretrial statement had been made under duress — the judge suggested that a threat to expel him to Jordan may have swayed him — and he would not say where the bomb had come from.

The Palestinian, Mr. Salameh, said he had accompanied Mr. Hazi's brother, Nezar Hindawi, to Damascus, where they met a man identified as Haltem Said, the name of a senior Syrian intelligence official.

Mr. Hindawi was convicted in London last month of trying to blow up an Israeli airliner. The testimony in his trial also implicated Syria, and Britain broke diplomatic relations with Damascus immediately after the guilty verdict.

The United States has also imposed diplomatic and economic sanctions against Syria, which insists it is not sponsoring terrorism.

Mr. Hazi, who has admitted that he went to Libya with Mr. Salameh and Mr. Hindawi, who was seeking support, was arrested in April after the West Berlin discotheque bombing in which two American servicemen and a Turkish woman were killed and 230 people wounded.

But he was not accused of responsibility for that attack.

The United States blamed Libya and launched an aerial raid on the North African country. Last week,

the United Nations General Assembly voted, 79 to 28, with 33 countries abstaining, to condemn the United States attack.

Head of Renault Murdered in Paris

As Georges Besse, the president of Renault, approached his home in the Montparnasse section of Paris last week, two young women with pistols shot him to death and fled on foot, according to witnesses.

One witness was quoted in the newspaper *Le Monde* as saying: "I saw two women waiting on the sidewalk. One of them said, 'That's it, let's go.' She fired two shots."

The police said the women were the two most-wanted criminal suspects in France, believed to be members of Direct Action, a terrorist group dedicated to the destruction of "bourgeois imperialism" that has been held responsible for the murders of a number of business and government officials.

The Government offered a \$150,000 reward for information leading to the arrest of the two, Joëlle Aubron and Nathalie Ménigon, whose portraits are being posted all over the country.

Mr. Besse was credited with having made Renault, the state-owned automobile company, a more profitable enterprise in recent years.

His murder was not believed to be related to the wave of terrorist bombings in Paris in September, which were attributed to Arab terrorists with connections in Lebanon.

Direct Action is thought to have several small cells, a dozen or so active members and perhaps twice that many supporters. It is said to be affiliated with terrorists in West Germany, Italy and Belgium.

Moscow Approves A Bit of Enterprise

Even Tass admitted that private workmen in the \$7-billion underground Soviet economy frequently performed "better and faster," albeit at far higher prices, than sanctioned Government services.

Evidently deciding to try to regulate and tax this commerce — which *Izvestia*, the Government newspaper, has estimated involves 17 million to 20 million people — the Soviet Union said last week that it would permit some small individual and family enterprises.

Under legislation passed by the Supreme Soviet, the nominal parliament, 29 activities will become legal, including production of clothing, shoes, furniture, toys, souvenirs and sports equipment; repairing cars and household appliances; tutoring in music and languages; and transporting people and goods in private vehicles. Only family members may be employed. The private manufacture of weapons, medicines or copying machines remains forbidden.

Centrists Win in Brazil

The centrist party that for two decades led the opposition to Brazil's military regime won a landslide victory last week in the first national elections since the return of civilian rule in 1985. It was the most sweeping victory in the country's electoral history, giving the Brazilian Democratic Movement Party control of the governorships in all 23 states.

The party also won a majority in the Senate and Chamber of Deputies. The results were seen as a vindication of the growth-oriented economic policies of President José Sarney, the country's first civilian ruler since 1964. The party has been supporting Mr. Sarney in coalition with the right-of-center Liberal Front.

In Rio de Janeiro, the gubernatorial race with perhaps the greatest national significance, the Brazilian Democratic Movement candidate, Wellington Moreira Franco, defeated Leonel Brizola of the Democratic Labor Party.

Tax Records Stolen

Using photographic technology that reduces mountains of bureaucratic paper to miniatures known as microfiches, Canada filed the vital records of 16 million taxpayers on a small pile of cards. Compact as they were, an unauthorized person easily scooped them up — no one seems to know why — and made off with them late last month.

Last week, the Minister of National Revenue, Elmer M. Mackay, disclosed the theft and said all Canadians might have to get new social security numbers to prevent fraudulent applications for birth certificates, passports, pensions and welfare benefits.

Aside from bilking the Government, Mr. Mackay added, motives might have included getting names "for commercial or more nefarious purposes" or just making his department look bad.

Shortly after the disclosure, the police said, the cards were returned by a Toronto lawyer acting for someone from the Government tax office whom they have been questioning.



Ahmed Hazi

Milt Freudenheim and James F. Clarity

A Conversation With Barber Conable of the World Bank

How Do You Give Countries Confidence in Their Futures?

BARBER B. CONABLE Jr. became president of the World Bank last summer at a time of expanding influence. The bank has a prime role in the plan initiated 13 months ago by Treasury Secretary James A. Baker 3d to mobilize capital for developing countries that agree to open their economies to trade and investment. Last week, the International Bank for Reconstruction and Development, as it is formally called, decided unanimously to release \$300 million of the \$2 billion it has committed this year to Mexico for a program to improve trade competitiveness and reduce import barriers. It also lent \$250 million to Chile, despite appeals from human rights groups opposing the move. At his office near the White House, Mr. Conable, a former Republican Congressman from upstate New York, discussed his priorities last week with six journalists from foreign publications and Clyde Farnsworth of *The New York Times*. Excerpts from their talk follow.

Question. What will follow the Mexican loan?

Answer. There will be follow-on loans of various sorts, and it's all dependent on the kinds of cooperation that are apparent in the Mexican Government now, and that involve a good deal of political courage on their part.

Q. Isn't Mexico a special case?

A. It's a very tough case because it's become so dependent on oil. They didn't have effective and efficient productivity to fall back on in other areas when the oil price went to nothing. Mexico has had some political instability in the past, too.

Q. What is the United States' financial role?

A. The U.S. supports the International Development Association with less than \$1 billion. The U.S. contribution to the World Bank is smaller than most people seem to think, relative to its total budget. Look at the foreign aid program; the World Bank is one of the most cost-effective elements, largely because \$1 from the World Bank brings in \$4 from the rest of the world.

Q. Is American influence excessive?

A. This is not a United States institution. If you believe it is, you better talk to some of the members of our staff, better than 75 percent of whom do not come from the U.S. The U.S. provides guarantees, as do all our members. Very little callable capital is involved. The U.S. does provide the largest block of I.D.A. money. Even in our

borrowing, the U.S. is seventh. The largest lender to the World Bank is Switzerland, next comes Japan, next West Germany.

Q. How much of your money goes to Africa?

A. It is probable that our L.D.A. money, our concessional money, will go at least 45 percent to Africa next year. It's somewhat dependent on the L.D.A. replenishment. That is somewhat dependent on the United States and Japan completing bilateral negotiations involving reallocation of American capital, to a modest degree, to Japan.

We expect an L.D.A. replenishment somewhere around \$12 billion.

Q. Why the African priority?

A. Africa has a serious problem of creditworthiness. In all probability, our L.D.A. money will be the major source of funds for many small African countries. Many of them are getting fast-disbursing, adjustment-type loans. One of the remarkable things is that many countries with an essentially Marxist background — they thought instinctively in terms of government control of economic facilities when they left colonial status — have concluded they have to have a private sector and incentives to permit it to grow. There is almost a consensus that economic growth is probably the only thing that can reduce the relative burden of debt — not that you reduce debt in absolute terms, but reduce the relative burden in ways that encourage growth.

Growth Versus Forgiveness

Q. How do you assess the Baker plan as against proposals to forgive third world debts?

A. The question is how do you give countries confidence in their own futures. Whatever happens will have to encourage greater flows of capital. That's why I line up with the Baker initiative. I can't tell you it's going to work. I can't tell you the Mexican thing is going to work. All I can tell you is that logic tells me it has a better chance of working than going through the politicizing process of default and writeoff and all the implications for a possibly shrinking global economy. I'd



Barber B. Conable Jr.

rather see an environment in which people are encouraged to grow their way out of debt rather than encouraged to believe that, if they just make a big enough mess, somebody will forgive their debt.

Q. How do you help them to grow?

A. Such things as trade liberalization. I flew 16 hours each way to give a 10-minute speech at Punta del Este because I wanted to be sure the trade ministers of the developed world understood that unless the developing world can trade in a clearly open trading system, there's not much chance of economic growth for them. When we encourage them through adjustment loans to liberalize their trading, we also have to encourage the developed world to keep its markets open. Secondly, we lend money in quick-disbursing loans for the elimination of subsidies and to encourage market determination of prices. We make loans to increase the efficiency of the public sector and encourage the conversion of the public sector to private enterprise. You also try to encourage restructuring of public investment in ways that will provide the building blocks of an ordered society, without putting political decisions in as a substitute for market decisions.

Q. How important are loans for agriculture?

A. This institution gives at least half its lending in the area of agricultural reform. That's our best chance to raise per capita income. As a development institution, our function is to try to help the poor, and in most of the developing world, the poorest people are living on subsistence agriculture. If you raise their income, they spend a very high proportion of their increased income on increased consumption, and they change their diet patterns. The countries that had the biggest improvement in agriculture in the past five years are the countries that also increased their imports of agricultural products.

Take Bangladesh, a subsistence agriculture country. People are not going to be making computers next year; they have to go through intermediate stages. We've got to get their per capita income up before we can find the accumulation of human resources that make possible a more sophisticated economy. So we're going to spend a lot of our aid, lending and technical assistance in the area of agriculture.

Q. Will the Baker plan money be forthcoming?

A. It's been forthcoming so far. We've just announced the Mexican package. We've got the Philippines and Nigeria. We've got Brazil and Argentina coming up. We've got the Chilean package. Although Chile is controversial because of its human rights policies, its adjustment policies have been pretty good.

Few Think Hasenfus Will Serve His 30 Years



Eugene Hasenfus in a Nicaraguan courtroom during his trial.

Special Features/Spe Press/Kassim

Nicaragua Has a Problem Prisoner

By STEPHEN KINZER

ON a clear morning over southern Nicaragua seven weeks ago, members of a small Sandinista anti-aircraft patrol looked skyward in astonishment. There in broad daylight, only about 3,000 feet above them and coming down, was a lumbering cargo plane, the type used for secret rebel supply runs.

One of the young soldiers, José Fernando Canales, raised a light anti-aircraft weapon to his shoulder, aimed and fired. "When I saw the plane shake and smoke and start to fall," Mr. Canales said later, "I couldn't believe it."

The only survivor of the Oct. 5 shoot-down, Eugene Hasenfus, a 45-year-old air cargo handler from Marinette, Wis., became the first American taken prisoner in the five-year-old Nicaraguan conflict. Last weekend, a People's Tribunal sentenced him to 30 years in jail. The prosecutor, Minister of Justice Rodrigo Reyes, urged that he not be pardoned, and several Sandinista commentators agreed. "He made 10 flights before being shot down," wrote one columnist in the pro-Government newspaper *Nuevo Diario*. "Ten flights that left only pain and death, children without fathers, mothers without children."

Despite such rhetoric, few in Managua think Mr. Hasenfus will serve much of his sentence. In public statements, President Daniel Ortega Saavedra and other Government leaders have depicted him as an unfortunate victim of American society who was forced to accept work with the contras to support his family. Vice President Sergio Ramirez Mercado, asked about the prospect of a pardon last week, replied, "This possibility is open."

Mr. Hasenfus's capture was an unprecedented

propaganda bonanza for the Sandinistas. He admitted that his plane was loaded with weapons for the rebels, and it was carrying a trove of compromising documents. This tangible evidence was held up as proof that, as the Sandinistas have been saying for years, the contras are nothing more than an artificial insurgency supplied from abroad.

But after his interrogation and trial, after the many interviews he was encouraged to give foreign correspondents in Managua, after his sentencing, Mr. Hasenfus is becoming something of a problem for the Sandinistas. Some high-ranking officials want to be rid of him as soon as possible, arguing privately that holding him in extended captivity would be pointless and perhaps provocative. Their view appears likely to prevail, though they will have to assuage not only Sandinistas who are on record as opposing a pardon, such as Mr. Reyes, but also groups of militant veterans, mothers of soldiers and others who feel personally the losses of war.

Irrelevant Prisoner

Mr. Hasenfus has become strangely irrelevant in the affair, which has served principally to give Sandinistas and others ammunition for political debate. His defense lawyer, Enrique Sotelo Borge, a prominent anti-Sandinista politician, irritated authorities by using the courtroom as a forum for attacks on the judicial system.

And last Sunday the pugnacious Roman Catholic primate, Miguel Cardinal Obando y Bravo, also a strong critic of the Sandinistas, said the Government should not simply release Mr. Hasenfus but trade him for Sandinista prisoners held by the contras. As the Cardinal could surely have predicted, the suggestion was rejected out of hand by Sandinistas who vow they will never discuss anything, even prisoner exchanges, with

the contras.

The Sandinistas and their critics are not the only ones who have sought to make political points from the Hasenfus case. One of the side-shows during the trial was the running battle between two former United States Attorneys General, Griffin Bell, who was advising the defense, and Ramsey Clark, who attended as a freelance observer.

Mr. Clark was quoted in the pro-Government press as surmising that Mr. Hasenfus was tied to the Central Intelligence Agency, and in an interview he wondered why Mr. Bell had "come to a country where he knows nothing of the history or the culture or the traditions, all to defend someone bringing guns to an illegal army."

Mr. Bell, in reply, charged Mr. Clark with undercutting his case. "I don't know what he's doing here except thwarting me," Mr. Bell complained.

In Washington, the new Democratic majority in the Senate increases the possibility that questions related to the Hasenfus matter will be brought up in Congressional hearings.

But if the senators criticize the contra supply operation as slipshod, the system's shadowy organizers are unlikely to apologize, and they might well think that losing a single aircraft in an operation that involved nearly 500 clandestine flights over two years is a record to be proud of. American officials hope the supply operation will now be more efficient as it comes under the direct control of the C.I.A., according to the provisions of the contra aid bill passed by Congress earlier this year.

And if Mr. Hasenfus is freed, he is likely to return home with much better financial prospects than he had when he left. At least one New York Times book contract.

Escalating Political Violence Clouds Future of Aquino Government

Can 'People Power' Contend With Firepower?

By SETH MYDANS

THE dominant television images here in recent days were of stiff and sometimes mutilated bodies laid out on mortuary tables and surrounded by grieving relatives.

The bodies, shown in slow detail, included those of a trade union leader and his driver; a politician and his two companions; and two local police chiefs, all killed by unknown gunmen.

The recurring images seemed last week to be a signal that the darker forces of Philippine politics, familiar from the past, are reasserting themselves, and that the trial period for the democratic ideals of President Corason C. Aquino may now be in jeopardy.

No one has determined yet whether the deaths are linked, but the killings marked the re-emergence in the Philippines of political violence on a national level. The last 10 days have also seen the still-unsolved abduction of a Japanese businessman and the explosion of a time bomb in a crowded department store that left at least 30 people injured.

The violence comes at a moment when the President is facing probably her worst political crisis and it has added to the tension created by the continuing threat of a violent takeover by military units.

Even as investigations continued, the President's spokesman, Teodoro Benigno, said the palace believed the killings were the work of military officers, possibly in collusion with forces loyal to the former president, Ferdinand E. Marcos.

It may be that the killings and the threat of an aggressive move against her by the military mark a turning point in Mrs. Aquino's nine-month-old Administration, with violent forces beginning to assert themselves strongly.

Her peaceful ouster of Mr. Marcos last February had brought hope of a new atmosphere in which violence might be less acceptable and democracy might be allowed free play.

When Mr. Marcos fled to Hawaii, it appeared that local warlords and private armies might be reduced in influence. But most of the warlords have retained their fiefdoms, and the military reports that private armies have proliferated. As Mrs. Aquino's Government has lost what momentum it may have had and its challengers have become more aggressive, the focus of her Government has shifted to survival. And with the outbreak of violence the President's options have narrowed.

Mrs. Aquino's popularity remains unchallenged, and her political base is still the nation's strongest. She enjoys the full backing of the influential Roman Catholic Church and the support of the United States. But she has few defenses against a violent challenge.

The mass "people power" that symbolized her takeover in February has failed to reassert itself, and is increasingly seen as having been the product of an unusual combination of circumstances. Indicating a new level of public pessimism, Mr. Benigno, her spokesman, said last week that he did not believe Mrs. Aquino had full control over her own military and police force. The President's confidence in the support of Gen. Fidel V. Ramos, the armed forces chief of staff, seems to have flagged as he has held steadily to a neutral position.

Three groups appear to be threatening the President: Defense Minister Juan Ponce Enrile and the ambitious officers who surround him; the mostly anonymous but still dangerous forces loyal to Mr. Marcos; and the armed insurgency of the left, which



Reuters/Associated Press

in a massive street demonstration last week signaled its return as a political force. Mrs. Aquino's aides concede that the threat posed by the still-growing Communist insurgency has taken second place to the immediate challenge of her opponents on the right. Mr. Enrile, who engaged in a vigorous campaign of public agitation against the President all summer, has fallen emphatically silent in recent weeks. He told a local reporter that he time for words had passed and the time for action had arrived.

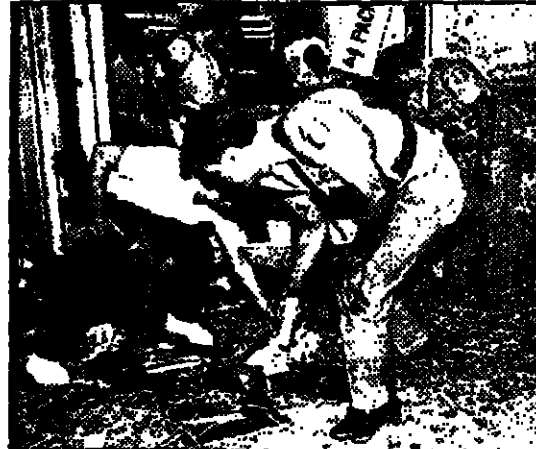
Given posturing in which he and the soldiers around him had engaged, there were charges last

week that the sudden spate of killings must be the next step in his campaign to destabilize the Government. Mr. Enrile has not issued a denial.

The Government has clearly lost its patience with Mr. Enrile's agitation, but the President so far has done little besides issue strongly worded but vague statements.

Her evident policy is to avoid a confrontation and to concede small points to Mr. Enrile as slowly and grudgingly as possible in the hope that his challenge will somehow fade away.

To this end, she seems to be toughening her stance



Violence in Manila

Some of tens of thousands of demonstrators with coffins of Rolando Olalia and his driver during funeral march in Manila last week; police inspect damage caused by a bomb at a Manila department store (top); widow of David Puzon, a former National Assembly member who was killed by unknown gunmen, weeping over his body.

toward the Communists in the stalled cease-fire negotiations and to be preparing to make some of the Cabinet changes Mr. Enrile has demanded.

Privately, members of the President's circle of advisers say it is now clear that Mr. Enrile seeks power and is not to be won over by changes in either policy or personnel. But the advisers say that without the unambiguous backing of the military, there is little they can do.

Asked why Mr. Enrile and his aggressive colonels were not simply arrested, one of the advisers answered, "Who would arrest them?"

First Plant Under Construction

Mexico, Too, Has Worries Over Nuclear Safety, Costs

By WILLIAM STOCKTON

FOR 16 years, Mexico has been building a nuclear power plant, its first, despite growing evidence that it no longer can afford nuclear power.

The Government is rushing to bring the \$3 billion plant at Laguna Verde, on the Gulf of Mexico near Veracruz, on line next spring. President Miguel de la Madrid said in September that the first unit would "go into commercial operation next year." But he added: "We know there are social groups who have expressed concern over this project. We understand their apprehension; we will not spare efforts or investments in security measures." Opponents of the plant thought they saw an indication that the President's mind might still be changed.

"This plant has caused the flow of vast amounts of dollars out of Mexico, and it will continue to do so," said Jacinto Viqueira, a professor at the National Autonomous University and a former Government energy planner. "We cannot afford it. The fuel to run it is paid for in dollars. Even the Spanish company they have hired to operate the plant probably will have to be paid in dollars."

Twenty years ago, when economic growth was 6 percent a year, the planners dreamed of cheap nuclear-generated electricity for rapidly expanding population and industries. With the oil boom in the 1970's, the commitment still seemed manageable. However, since the 1982 debt crisis and subsequent economic deterioration, Mexico has been kept afloat by foreign loans. Bankers hope Mexican industry can shift from the internal market and compete abroad, but that will require the latest technology — and scarce dollars.

Even partisans of Laguna Verde concede that its technology will not easily transfer to high-quality export industries. "Mexico has to have a strong industry," said Juan Eibenschutz, a Federal electricity official

who is considered the father of nuclear power in Mexico. "But the participation of national industry in Laguna Verde has been modest, although there have been some cases."

Fledgling environmental groups, alarmed by the Soviet nuclear accident at Chernobyl last spring, have raised safety questions. They say 500,000 people could be endangered in Mexico City and Veracruz, downwind from Laguna Verde, and have held demonstrations in the two cities. They argue that the site is vulnerable to earthquakes and is within 10 miles of a small, active volcano; that the plant's metal reactor vessel was damaged as it was being installed, and that some of the concrete does not meet safety specifications. "Because of these factors, we think that the probability of an accident is great," said Marco Martinez Negrete, a physics professor at the autonomous university. Opponents want to convert Laguna Verde to run on Mexico's abundant natural gas.

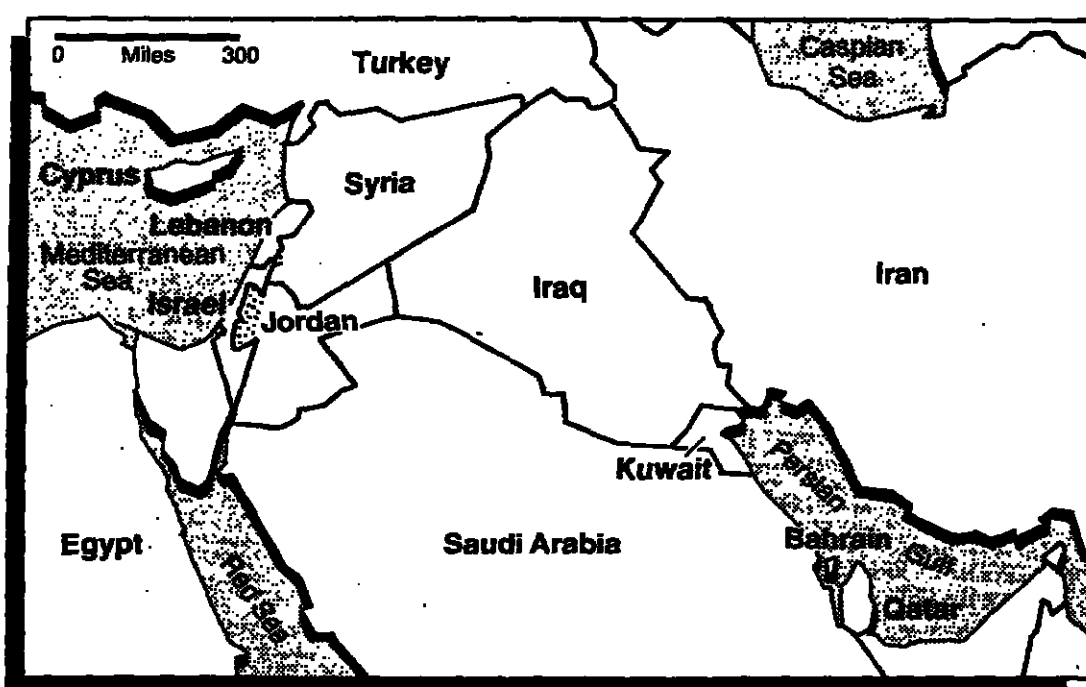
Pride and Prestige

Federal officials reply heatedly. "The accusations that people like Martinez Negrete make are based on partial information, insufficient documentation," Mr. Eibenschutz said. Officials cite forecasts that oil reserves will be depleted in 40 years. Mexico, with virtually no coal, has few energy options.

The environmentalists seem unlikely to prevail because the Government is both building the plant and certifying its safety. More important, national prestige and Government pride is involved. The nuclear goal has endured through four Mexican administrations, and many senior politicians and bureaucrats have a stake in Laguna Verde. To abandon it after spending \$3 billion would be politically embarrassing, a painful reminder of Mexico's \$100 billion foreign debt and of widespread accusations that much of the borrowed money was wasted.

Nevertheless, the Government may yet decide that it has more important national uses for scarce foreign earnings than nuclear power.

Iraq Is a Known Enemy, But Iran Is Not Exactly a Friend



Israel Sorts Its Interests In Outcome of Gulf War

By THOMAS L. FRIEDMAN

THE reports that Israel was shipping arms to Iran to help secure the release of American hostages and for its own foreign policy considerations have rekindled debate in Israeli defense circles over whether Israel wants Iran or Iraq to win the Gulf War.

Popular opinion has always been that the best thing for Israel would be for the fighting to continue indefinitely. But many Israeli experts have long contended that this is a simplistic perception and that Israel should try to help shape an outcome that it can live with.

For years, a group known here as the "Iran lobby" has dominated Israeli thinking. This school dates back to the days of the Shah, when Israel and Iran were linked by an intimate web of trade, tourism, oil, intelligence and military relationships.

In the early years of the Gulf war, when Iraq was on the ascendant, Israel secretly funneled small amounts of arms and spare parts to the Iran of Ayatollah Ruhollah Khomeini on the as-

sumption that Arab Iraq was a lasting enemy and "my enemy's enemy is my friend."

Israel hoped such aid would keep channels open to the future, bar a radical Iraq from decisive victory and give Israel some leverage with the mullahs in extending aid and protection to thousands of Iranian Jews.

Underlying this thinking is a belief in a historical, geopolitical commonality of interests linking Israel and Iran, transcending the extreme anti-Israeli and often anti-Jewish outlook of the Khomeini Government. According to this view, the Jews and the Persians are the two non-Arab powers in an overwhelmingly Arab region; each needs and uses the other to distract the energy and enmity of the Arabs; each has something to offer the other in the form of technology or resources.

Israel and the Shah once reportedly considered pooling their money and talent to build a surface-to-surface missile, and even today Iranian oil — or freedom for Iranian Jews — in return for Israeli spare aviation parts are seen here as an attractive trade. Finally, both countries, particularly Iran, have an interest in keeping the Soviet Union at bay.

In contrast, this school notes, Iraq has participated in every Arab-Israeli war. It sent three divisions, half its army at the time, to bolster Syria in 1973. If the Gulf war ended now, the "Iran lobby" points out, Israel would be looking at an Iraqi army that has grown in six years to 40 divisions, with more battle experience than any previous Arab force, including experience in the use of chemical weapons.

The effectiveness and range of Iraq's forces have also grown. It has 2,000 to 3,000 tank transporters, and its air force has reportedly learned to use laser-guided bombs and conduct complicated midair refuelings.

'Intellectual Inertia'

Recently, however, these theories have been challenged by a new line of thinking. "Israeli attitudes to Iran are dominated by intellectual inertia," argues Mark Heller of Tel Aviv University, an expert on the Gulf War. "Even after the revolution, thinking here continued along pre-1979 lines. People hoped that the community of interests between Israel and Iran would override the ideological content of the Iranian revolution. These people are unaware of the extent of revolutionary change in Iran. There needs to be a revolution in Israeli thinking as well."

The school of thought represented by Mr. Heller contends that an Iranian victory in the Gulf war would be far more damaging to Israel than an Iraqi one.

At this stage, say Israeli intelligence officials, the only victory Iraq can hope for would be a lasting cease-fire. If such an arrangement could be made, Iraq would probably demobilize as much of its army as it could and redirect resources toward the enormous task of rehabilitation. It would be most unlikely, these theorists reason, that Iraq would suddenly go looking for a fight with Israel, let alone ally itself with Syria, which has backed Iran throughout the war.

An Iranian victory, however, could present a threat to the Arab regimes surrounding Israel and raise doubts about the relatively stable Arab-Israeli balance of power.

"It would give an enormous boost to revolutionaries in the Gulf and to fundamentalist Moslems in Egypt, Jordan and Syria," Mr. Heller said. "This would inevitably change the calculations of these countries about war with Israel, if not their entire regimes. An Iraqi victory represents a conventional strategic threat. An Iranian victory represents an ideological threat that could upset the entire regional system."

Moreover, a victory by Iran, whose population is predominantly Shiite Moslem, would most certainly energize radical Shiites in Lebanon in a way that would directly threaten Israel.

"Iraq has no common border with Israel, while Iran, through her messengers and her religion, is actually on our border," said Yoel Marcus, political commentator for the newspaper Haaretz. "The rule of 'My enemy's enemy is my friend' does not hold when my enemy's enemy is also my enemy."

The Nation

Deficit-Cutting, Round One: A \$38 Billion Gap

In the first skirmish of the struggle to cut the deficit for the 1988 fiscal year, Federal agencies have submitted budget requests that were \$38 billion over target. Only the Departments of Energy and Education matched the spending levels recommended by the White House; all the rest said they needed more.

The budget has long been shaped by a series of struggles between power groups with differing aims, first within the Executive Branch and then in Congress. The battles have become more desperate in recent years because of conflicting pressures to cut the deficit, strengthen the military and avoid new taxes. After months of striving to reconcile income and outgo, Congress passed a single bill appropriating \$576 billion for the entire Government through Sept. 30, freezing most spending. A separate measure cut the deficit by \$11.7 billion, partly through accounting maneuvers and the sale of Federal assets. By current estimates, however, the 1987 deficit will still be \$9 billion above the ceiling required by law.

The real crunch will come next year. To hold the 1988 deficit to the mandated \$108 billion, Congress must approve an estimated \$54 billion in savings. Budget officials said the agencies' requests would be cut

and the President's budget, to be submitted in early February, would meet the target — although several said they did not know how it would be done. The budget director, James C. Miller 3d, proposed last week that the Government sell to private investors most of the loans it makes, cutting the deficit by \$20 billion or more next year but also reducing future income from borrowers' payments.

As in past years, one hotly disputed area will be the military budget. After seeing its 1987 spending request cut by Congress, the military requested \$306 billion for next year, \$6 billion more than the White House had suggested. Democratic leaders, now in control of both House and Senate, are saying the Pentagon will be lucky to get enough money to keep up with inflation.

There will be one new element in the debate: the Reagan budget for 1988 is to include proposals to overhaul the rules, making Federal financial planning more like that of corporations. A study group, which is to make specific recommendations next month, has been focusing on dividing the budget into two categories, one for operating expenses and one for such long-term capital investments as buildings and aircraft carriers. Democratic leaders said they would welcome a White House initiative to repair the budget process, but they also expressed concern that a capital budget could obscure the size of Federal deficits.

Martha A. Miles and Caroline Rand Herron

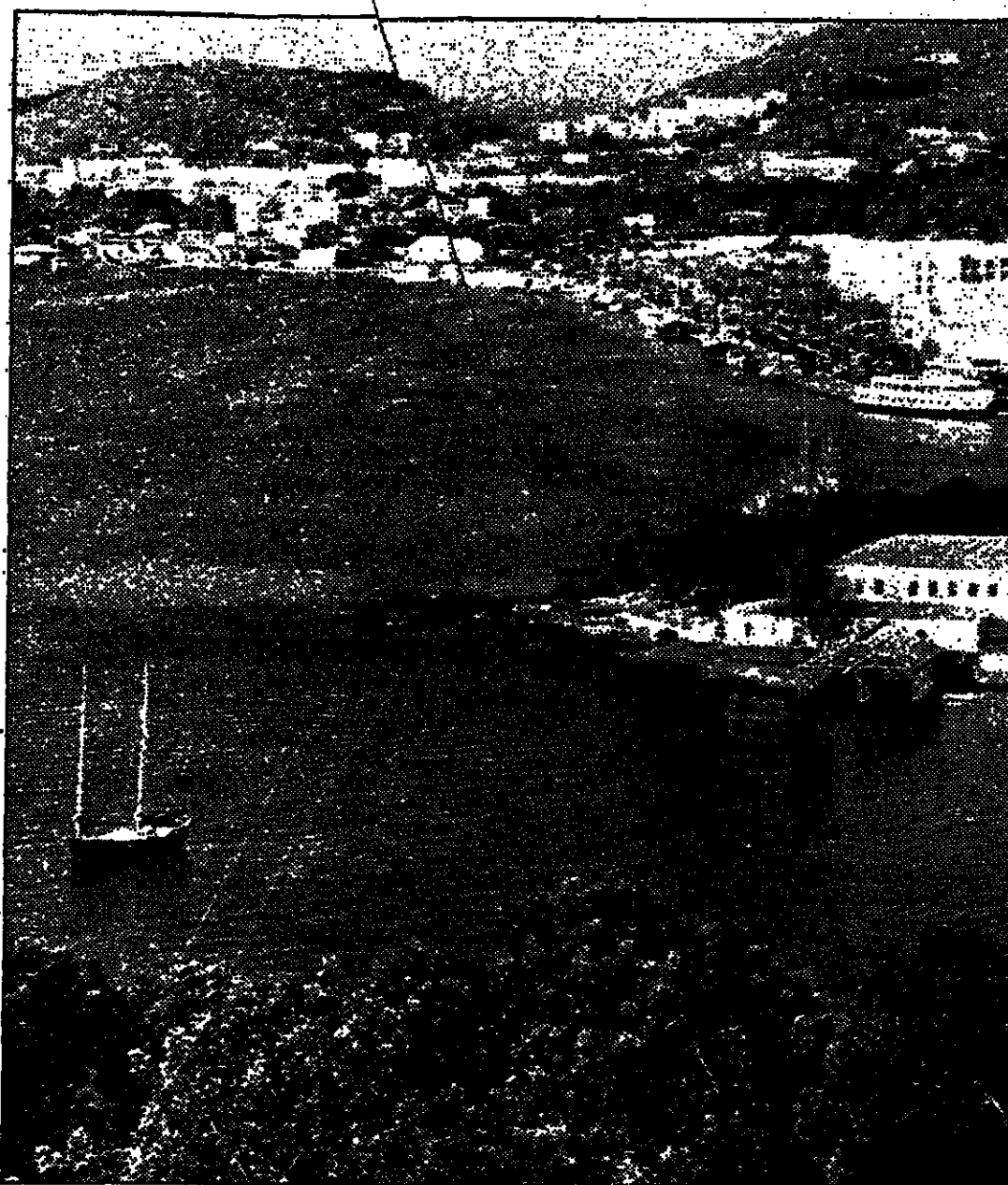
Verbatim: Patronage Abroad

'A disturbing trend is the use of Foreign Service positions for political patronage. . . . Years ago, generals were commissioned on this basis. No one today would argue for appointing a political supporter to command the 24th Infantry Division, although in peaceful times, and with a good deputy, the division would probably survive as well as our embassies. . . . Seeing the quality of some of those judged worthy or capable of serving as ambassador, it is painful to recognize the lack of respect this implies for our profession.'

Ronald L. Spiers

Under Secretary of State for management, noting that the percentage of ambassadors who are career diplomats has dropped from 75 to 60 since President Reagan took office.

Anti-Establishment Candidate Forces a Run-Off Election



Harbor of Charlotte Amalie, on St. Thomas.

The New York Times/Jack Manning

New Wave of Discontent Unsettles Virgin Islands

By ION NORDHEIMER

BEYOND the world defined by hordes of cruise ship passengers descending on the duty-free bargains in sun-dazzled waterfront shops, the people of the American Virgin Islands are trying to digest the results of last week's election, the most divisive in the territory's recent history.

Some find comfort in the lopsided 2-to-1 vote for Alexander Farrelly, a Democrat, to be the next Governor of St. Thomas, St. Croix and St. John. Mr. Farrelly, a 62-year-old graduate of Yale Law School, is a polished representative of the black establishment that has shared the fruits of 30 years of economic boom.

Others, however, are still unsettled by the campaign of his opponent, State Senator Adelbert Bryan, the candidate of the Independent Citizens Movement. They note that Mr. Bryan, disorganized and short of money, still managed to capture one-third of the vote by challenging the political status quo.

He was the first candidate to do so since the territory was given the right to elect its Governor in 1970. In four previous elections, candidates voiced only slight philosophical differences on how the islands might prosper under the United States flag.

Mr. Bryan talked of a different alignment with the United States, perhaps even independence. He presented himself as a champion of those who feel alienated and dispossessed by the expensive houses, hotels and condominiums that stud the

green hills of St. Thomas and St. Croix.

He was laughed at in the beginning, derided as a bullying former policeman given to outbursts of temper. Yet his campaign ignited among the poor, the young and the elderly, and he won enough votes in the general election two weeks ago to force Mr. Farrelly into a runoff. It became obvious that Mr. Bryan was tapping a reservoir of resentment among native black islanders who feel deprived of the benefits of the boom.

The territory's population, at 110,000, is more than three times what it was in 1960, and only about 45 percent of the residents are native-born, according to the 1980 Census. In three decades, the majority arrived: whites from the mainland United States, who are called "continentals," agricultural workers from nearby Puerto Rico and black workers from poorer islands of the Caribbean. These aliens, mockingly known to native islanders as "garotes," after the tropical bird that migrates from island to island, were imported to serve as chambermaids, waiters and laborers in the tourist and construction industries. Theirs was work despised by the native islanders who found prestige and security in better-paying Government jobs.

Mr. Bryan lashed out at all the immigrants, but his emphasis on black self-sufficiency and his embrace of support from Louis Farrakhan, the Black Muslim leader known for his fiery anti-white oratory, gave a separatist tone to his campaign, a perception that he seemed to encourage one day and deny the next.

"He has been the single most disruptive figure in the history of the Virgin Islands," said Henry Wheatley, a former Peace Corps officer and a member of a black family deeply involved in St. Thomas's business and cultural life. "There is concern of lessening dominance of native blacks in Virgin Island affairs," he said. "But this is not translated into 'we do not like white people.' This population is not racist."

Wide Disparity of Wealth

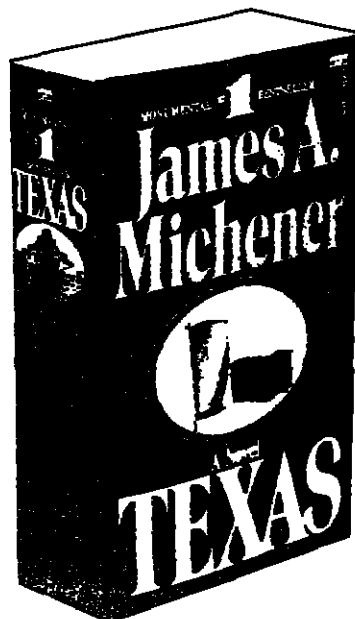
The juxtaposition of white luxury and black poverty, however, has been a problem for a long time. In the early 1970's a gang of young men, quoting black power slogans, machine-gunned tourists on a St. Croix golf course. A lot of self-examination followed those shootings, but the basic social polarization remained and in some areas worsened. Now median household income for whites (\$17,261) is nearly twice that of blacks (\$9,908). More than a third of blacks live below the poverty level. Racial violence and animosity have never approached the conditions found in most mainland cities, but there is growing apprehension that social trouble is brewing.

It does not help that the territorial government is "nearing financial collapse," according to a recent independent study commissioned by the Department of the Interior. Annual deficits are \$50 million; local roads, schools and public housing are in desperate disrepair. And the Federal Tax Reform Act is likely to cut \$10 million to \$15 million from the territory's revenues annually for the next five years, according to Richard Moore, chief economist for the Virgin Islands. Half the territory's \$284 million operating budget in 1985 was financed by revenues from Federal income taxes.

There is strong resistance to raising taxes, which means that the Farrelly administration must find other ways to curb the deficit, pave potholed streets, repair schools and build public housing on islands where rents now rival those of Washington, D.C. However, the remedy may also prompt further social unrest. There is almost certain to be a reduction in the bloated and inefficient government, which provides one out of every three jobs. Because native islanders hold most of these jobs, they will be disproportionately affected by the layoffs, feeding the disaffection that surfaced in last week's election.

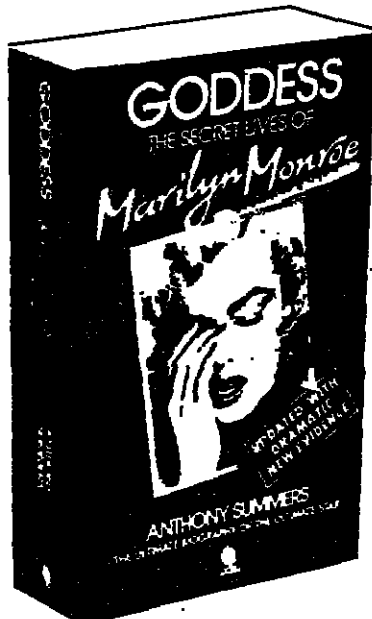
The Jerusalem Post Library - November 1986

PAPERBACK BEST SELLERS



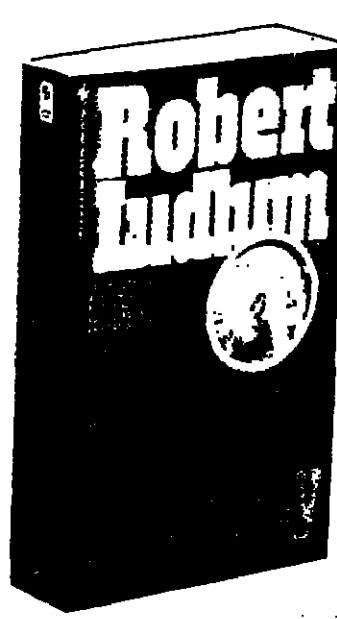
TEXAS
James Michener
The epic saga spanning four centuries and two continents, charting the dramatic formation of several great dynasties from the age of the conquistadores to the present day.

Reg. NIS 10.90 Now NIS 9.25



GODDESS
Anthony Summers
The ultimate biography of Marilyn Monroe, including dramatic new revelations on her relationships, political and underworld connections, plus letters Marilyn wrote and eyewitness accounts.

Reg. NIS 15.20 Now NIS 12.95



THE BOURNE SUPREMACY
Robert Ludlum
A fast-paced novel of assassination, international intrigue and espionage, woven around a world-wide search for the notorious killer Carlos.

Reg. NIS 10.90 Now NIS 9.25



ON WINGS OF EAGLES
Ken Follett
An astonishing, heart-racing bestseller, the true story of the rescue of American businessmen during the first days of the Iranian revolution.

Reg. NIS 11.40 Now NIS 11.40

To: BOOKS, The Jerusalem Post, P.O.B. 81, Jerusalem, 91000.
Please send me the book(s) as indicated below. Offer valid until November 30, 1986

TOTAL BOOKS ORDERED: _____
TOTAL ENCLOSED: NIS _____

How Wall Street Bred Ivan Boesky

By KAREN W. ARENSON

"The avarice of mankind is insatiable."
— Aristotle

It is still too early to say what really happened in Wall Street's latest insider trading scandal or how widespread it will turn out to be. Even the particulars involving Ivan F. Boesky, the arbitrage king, are largely unclear, except for the fact that he has admitted using information about unannounced takeovers to make huge illegal profits.

But while the Government's success in bringing down Mr. Boesky and fining him \$100 million, caught many people unawares, there was little surprise on Wall Street that someone of Mr. Boesky's stature and wealth had crossed the line from legal to illegal money-making.

Even before Mr. Boesky's stunning commencement, and the arrest last May of Dennis B. Levine, an accomplice, an unease had pervaded the financial community, a fear that people were not earning money the old-fashioned way, that something was not quite right about America's markets in the age of the takeover.

Other insider-trading cases had been brought by the Securities and Exchange Commission. Paul Thayer, former chairman of the LTV Corporation and a former Deputy Secretary of Defense, had gone to prison for the crime. R. Foster Winans, a reporter for the Wall Street Journal, had been convicted of selling market information before it appeared in his columns. Lawyers, financial printers, investment bankers and less well-known arbitrageurs had been charged with using information not yet available to the public to make money trading stocks.

But these were small fry, isolated operators, the sort of villains who often turn up in the financial world. Until the fall of Mr. Levine and Mr. Boesky, the S.E.C. had not struck as deeply at Wall Street proper — at the vast machinery that has grown up in recent years to generate, finance and profit from the takeovers that have become the obsession of the Street.

Mr. Boesky has operated at the very heart of Wall Street's surging stock market, and with his fall, the financial world will never be the same. Now that speculators are on notice, stock prices of companies in takeover battles are not likely to run up as fast as before. Some of the size will go out of the game — along with some of the ill-gotten gains.

That is not to say that risk arbitrage — the speculation in stocks of takeover companies — will disappear. By buying the shares of companies and selling them once a merger was completed, so-called risk arbitrageurs make huge stock holdings readily available and thereby grease the takeover process. By using illicit information to buy shares before a takeover was even announced, Mr. Boesky performed another function, as well: He created an air of excitement around a company's stock, making it a more interesting target, a company that investors would want to put money into.

But if Mr. Boesky is a creature of Wall Street, his rise as a hugely wealthy arbitrageur, and his misdeeds, are part of a larger drama of our time: the inefficiencies of corporate America, the transformation of Wall Street, the ascent of the Reagan Administration and its exaltation of the free-swinging entrepreneur. All set the stage for the takeover frenzy and its excesses. In that context, a Boesky and a Boesky case were almost inevitable.

"Takeovers presented opportunities that were unprecedented 10 or 20 years ago," said Elliott Weiss, a professor at the Cardozo School of Law at Yeshiva University in New York. "The number of developments with the potential to move a stock 50 or 100 percent is limited. Before, you'd be surprised if a big takeover happened once a year. Now they occur once a week. That makes the temptations a lot greater. When those kinds of opportunities occur and you have a body of law that is not all that well-defined and the prospects for being caught are deemed small, you can expect things like this will happen."

None of this excuses the malfeasance, but it helps to explain it, and it also explains why takeover activity and its attendant speculation will slow, but not dry up, overnight — no matter what Congress does.

Some policymakers in Washington might buy the argument made by staunch free-market advocates, including Henry G. Manne, dean of the George Mason University Law School, that the insider-trading laws should be removed, rather than strengthened.

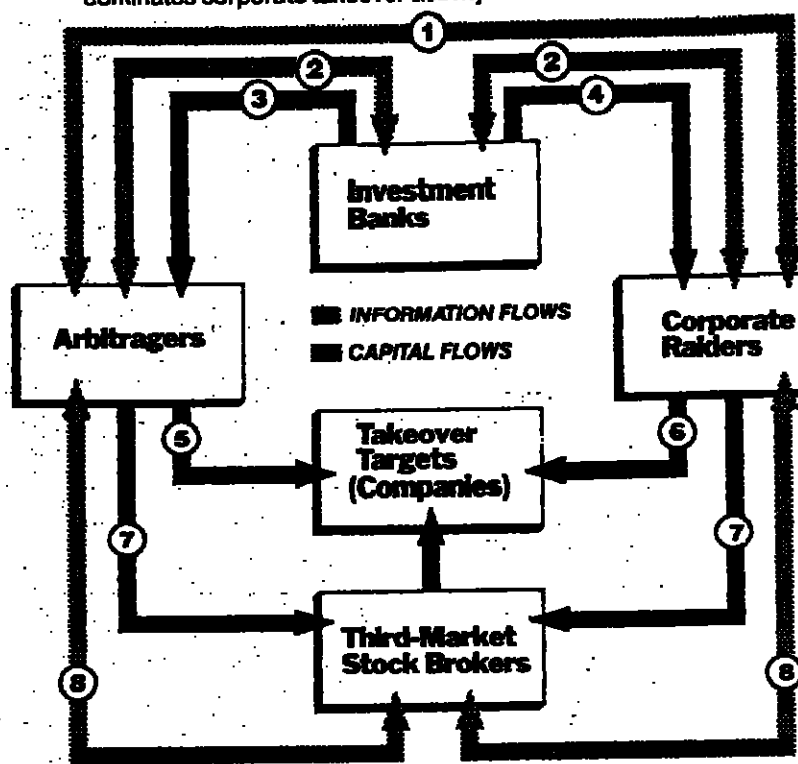
That would free the flow of information and make the markets more efficient, they say. But the Democratic Congress is more likely to impose new limits on how takeovers can proceed. One proposal would limit arbitrageurs' voting rights in a takeover.

Whatever route Congress follows, one thing is certain: Until American industry becomes efficient and competitive once again, takeovers will continue to attract innovative financiers who want to participate in restructuring and make millions in the process.

The past makes that lesson clear. The financiers of the last decade made their millions in a variety of ways. Investment banking fees, for example, once considered generous when they hit a couple of million dollars, climbed past the \$100 million mark. People who sucked in their breaths when First Boston collected \$18 million, when the United States

Wall Street's Takeover Network

Key steps — and some legal pitfalls — in the network that dominates corporate takeover activity.



- 1 Arbitrageurs are allowed to talk with the so-called corporate raiders about pending takeover attempts, but the practice is obviously vulnerable to abuse. By knowing in advance that a raider will bid for a company, the arbitrageur can buy the target's stock and almost certainly make a profit when the bid is announced. The raider, by revealing his bid to the arbitrageur, can put a big chunk of the target's stock in "friendly" hands.
- 2 Raiders are certainly free to talk with their investment bankers, in fact this crucial relationship is protected by the insider trading laws. Investment bankers also communicate legitimately with arbitrageurs, often to discuss the valuation of companies that may or may not be the target of a takeover. But, as with direct communications between arbitrageurs and raiders, powerful self-interests often work against the insider trading laws. Even when the investment banks camouflage the object of their inquiry, arbitrageurs can often discern the target by the nature of the questions.
- 3 Large arbitrageurs sometimes retain an investment bank to act on their behalf to

- raise money in the capital markets. Some experts question whether the arbitrageur — now a valued customer — might receive takeover information from the investment bank before the public gets the same information.
- 4 The investment bank raises the money that finances takeover offers for independent companies, often in the form of high-risk, "junk" bonds.
- 5 The key to the arbitrageurs' strategy is to buy stakes in companies that are — or are likely to become — takeover targets.
- 6 The raiders seek to buy a major interest in their target's stock.
- 7 Raiders and arbitrageurs sometimes accumulate shares in the target company through a third-market stock broker, who trades shares off the stock exchange floor.
- 8 It is not illegal to act through the third market broker, but some observers point out that by acting as an intermediary the broker has access to sensitive information that could be used by others in the takeover network.

Steel Corporation (now USX) bought the Marathon Oil Company in 1982, were incredulous when they saw Drexel Burnham Lambert Inc. begin collecting fees approaching \$100 million and more for handling a merger and for financing it.

"Drexel Burnham made all these chaps look minuscule by putting together these junk bonds and merger transactions, and pushing the fees up," said Geoffrey Bell, an economist and financial consultant. "The First Boston of the world suddenly realized that they were being left out. Suddenly, what looked to be gigantic, seemed like pretty small beer."

Huge sums were being made from leveraged buyouts, too, by the investment firms that bought the companies, took them private, and then resold them, often in a year or two, for large profits. One early deal was the purchase in 1982 and resale in 1983 of Gibson Greeting Cards — grabbed public attention by illustrating the hefty profits to be made. The transaction earned what then seemed an astounding \$200 million for former Treasury Secretary William Simon and Wesray, his investment firm, which had put up only \$1 million. Mr. Simon's own share of the profits was estimated to have been \$70 million.

And then there was greenmail. Wall Street's version of blackmail. Widely frowned upon because it allowed only a select group of shareholders to cash in their shares at premium prices, the practice is nonetheless legal. In one frenzied month in 1984, for example, four major companies — Texaco, Warner Communications, St. Regis and Quaker State — paid more than \$1.6 billion to buy back shares from unwanted suitors.

Bankers and business executives who had been content, even happy, making \$500,000 or \$1 million a year, became discontent. They saw William Simon, Carl Icahn, T. Boone Pickens, and others making \$50 million, \$100 million, \$200 million on single deals. They felt they were missing out. More than one investment banker talked of feeling like a small child who could not keep up with the bigger boys.

A new mentality took over, a kind of glorification of the acquisition of money. Perhaps it was a reaction to the excesses of the 1980's, and society's efforts to iron out social and financial inequities, a swing from one extreme to another. Perhaps it related to the Reagan White House, and the myriad millionaires helping the President run the country.

Whatever the cause, the idea of financial success and wealth attained a new legitimacy, albeit a tenuous one. At the same time, the idea that people have a broader social responsibility lost currency. Before, money had been one of several rewards, along with prestige, career advance-

ment, pride. Now, for some at least, money seemed to become the only way of keeping score.

As one investment banker who asked not to be named put it, "In the last five years it's become 'How much money am I making?', not how I spend it." He added: "You had a sense of falling behind if you were not keeping up."

As more and more money was made, another kind of change may have taken place, too, in some people's attitudes — a phenomenon some have called the Richard Nixon syndrome: "I am the president of the United States and the rules don't apply to me," as one observer put it.

"Your sense of values got warped in this business too easily," said another investment banker. "You are expected to put in unbelievable hours. But you have access to power, and you can use that power. Sometimes it goes to people's heads."

The shifting of values was not just a Wall Street phenomenon. But it was especially visible there, and Ivan Boesky came to be regarded as the epitome of the new thinking. Despite all the money being made in legitimate risk arbitrage, despite all the money he had accumulated personally, despite his limousines and his mansion on a 160-acre estate in Westchester, despite deals that produced for him tens of millions of dollars in a day, he seemed to crave more.

And so did others. The chief executive of one brokerage house, for example, talks of how, when Mr. Boesky and other arbitrageurs jumped into a stock, and its price started running up, his firm would hop on, too. "Firms like ours played along without really knowing what was going on," he said.

It was not ever thus. Until the mid-70's, for example, the premier banking houses had held back from what hostile corporate takeovers there had been. In 1974, Morgan Stanley, after much soul-searching, decided to help one company, Inco, acquire another, ESB. Most of the rest of Wall Street then followed Morgan's lead into the fray.

At the same time, long-term investment banking relationships were giving way to "transactional" relationships. Whatever investment house had the best idea for a deal won the business — and the fees — until the next proposal came along. Old school ties and long-term relationships that previously held sway did not guarantee sound advice. But the increasingly transactional nature of the business put less emphasis on long-term growth, and more on opportunism. Wall Street's responsibility for looking beyond tomorrow seemed to evaporate.

Ready availability of funds also fueled the takeover frenzy. At first, some money center banks with a surfeit of cash showed a willingness to fi-

nance takeovers. But when corporate clients who saw themselves as potential takeover targets complained, the banks pulled back.

Then Drexel Burnham came to the fore, with its unique ability to tap huge investment pools for billions of dollars on a moment's notice. Michael R. Milken, a senior vice president in Drexel's Beverly Hills office, stood ready to issue high-yielding "junk bonds" to raise money, and corporate raiders lined up for his services.

Although some, including the Federal Reserve Board, questioned the wisdom of so many takeovers financed so heavily by lower-quality debt, Washington seemed to assent. When the Fed tried in late 1985 to impose limits on the use of low-grade junk bonds in corporate takeovers, the Reagan Administration fought back. Ultimately, the Fed issued a rule with little bite.

With the subpoena last week of Mr. Milken and other Drexel executives in the Government's investigation of illegal insider trading, questions are once again being raised about the viability of the junk bond financing mechanism. Subpoenas, of course, are only requests for information, and not an indication of any wrongdoing. And Drexel executives have issued assurances that they, and junk bonds will come through unscathed.

Nonetheless, the market for these low-quality, high-yield bonds has experienced the jitters in the 10 days since the S.E.C. announced the case against Mr. Boesky, accusing him of receiving inside information on unannounced takeovers from Mr. Levine while the latter was an executive at Drexel Burnham.

But even as the junk bond market comes under new scrutiny, another source of takeover funding is taking shape. Investment banking houses such as Merrill Lynch, First Boston and Shearson Lehman, lured by the big fees paid on takeovers and takeover borrowings, have expressed their eagerness to become the new takeover bankers, to put up money from their own deep pockets.

While all the attention has been on Wall Street in recent days, people have tended to overlook the economic forces and the shortcomings of American industry that are at the root of the takeover phenomenon. From the end of World War II until the 1970's, American companies, operating on the principle that bigger was better, grew larger and larger, dominating the world.

But in the face of two recessions, soaring oil prices, intense competition from Japan and the emergence of high-tech industries in the third world, the formula worked less well. The economies of scale that always seemed so obvious began to disappear and the costs of centralization began to outweigh the gains. In short, the need to rebuild American industry became increasingly evident.

But as the inefficiencies became apparent, so did the opportunities. There was money to be made — often hundreds of millions of dollars — in shrinking large, inefficient corporations, either by eliminating layers of bureaucracy and factory workers, or by breaking a company apart and selling its pieces. Some of the nation's biggest conglomerates, such as Beatrice, the consumer products giant, and Gulf & Western, the large conglomerate, began the dismantling process themselves, but it was slow-going and painful.

Men such as T. Boone Pickens, Carl Icahn, and Irwin Jacobs did not wait for takeovers to occur, but moved in to make them happen. As they did, they spoke of the need to rationalize American industry and to make it more efficient. The ends they described were applauded by many, but their motives were often seen as suspect. It was simply hard to believe that they were really out to make the economy better, as much as they were out to turn a handsome profit. That sentiment was clearly reflected in the unflattering name slapped on them: corporate raiders.

Occasionally, a raider would end up owning a target company, forcing him to manage the assets himself, as Mr. Icahn is doing at TWA — or sell them, as Mr. Jacobs is doing with big chunks of AMF, a diversified sporting goods manufacturer. More often, however, the takeover effort touched off other activity. Sometimes a target company would defend itself by buying back the shares of stock a raider had accumulated, usually giving the raider a handsome profit. A practice known as greenmail. Other times, the target company would turn to another suitor. And sometimes a target would fall back on a leveraged buyout, in which the buyers would put up a little of their own money and borrow a good deal more to finance the purchase.

Whoever eventually bought the target company — and once in play, it usually was bought — the raider typically made a sizable profit, and so did all the others involved, from the lawyers, to the investment bankers, to the arbitrageurs, of whom Mr. Boesky was the best known.

That this fervor spilled over into wrongdoing seems natural to many Wall Street observers. This feeling was reinforced by the impression that the S.E.C. — the agency whose oversight was supposed to hold greedy impulses in check — had become a less potent force.

Perhaps a deeper concern is the damaged credibility of America's capital markets. Outright misdeeds may turn out to be limited to just a handful of individuals. But Wall Street's role in the whole takeover mania, and its fixation on big fees and short-term profits, is not likely to be one of its proudest chapters.

The Economy

WEEK IN BUSINESS

Sir James Goldsmith ended his bid for Goodyear after the company agreed to buy back his shares at a \$93 million profit for the British financier, a sum that had some analysts intimating greenmail. Sir James, in fact, said he was getting a good price — \$49.50 a share. Goodyear also said it would buy back 40 million shares at \$50 each; Sir James had offered \$49 a share. The buyout surprised analysts, since days earlier Sir James had told a Congressional committee that Goodyear was squandering funds and that he could rescue it. Goodyear's chairman, Robert E. Mercer, who had been fiercely resisting Sir James, countered that people like Sir James are plunderers.

Goodyear had announced a major restructuring when Sir James first made advances, and now it says it will cut costs even further to pay the \$2.6 billion its stock buyback will cost. Analysts are worried that Goodyear is loading itself with debt.

The economy grew at a 2.9 percent rate in the third quarter, up from the 2.4 percent figure released last month. Most of the improvement came in auto sales, which had fueled growth in many segments of the economy. But auto sales — and other consumer spending — is now way off, and many analysts believe the fourth-quarter figure will suffer.

Consumer spending dropped a record 2 percent in October, mainly because Americans did not buy as many cars. Personal income rose four-tenths of 1 percent. Housing construction fell two-tenths of 1 percent.

Wall Street continued to be rocked by the trading scandal surrounding Ivan F. Boesky, the arbitrageur accused of massive insider trading. Mr. Boesky is cooperating with the authorities, and numerous subpoenas have been issued. Among those affected are Drexel Burnham Lambert, which dominates the market in junk bonds often used to finance takeovers, and Jefferies & Company, the firm specializing in third-market trading that allows arbitrageurs like Mr. Boesky to buy large amounts of stock. While the firms have not been accused of any wrongdoing, their connection with the scandal has seriously affected their abilities to operate.

Mr. Boesky dumped about \$440 million in stock days before the S.E.C. charges against him became public. Outraged Wall Street executives said Mr. Boesky was trading on inside information about himself, because he knew the scandal would have an adverse effect on stocks. But the S.E.C. said the effects on the market could have been far worse if Mr. Boesky had not been allowed to liquidate some holdings.

Stocks and bonds gyrated wildly in the wake of the trading scandal. Early in the week stocks dropped sharply as panicked investors dumped issues that might be involved in takeover activity. Later, however, stocks rebounded even more strongly. The Dow Jones industrial average finished the week at 1,893.56, up 19.87.

Junk bonds were extremely weak in the wake of the scandal, but Treasury prices overall are expected to strengthen if more takeovers are put on hold and investors put their money



Robert E. Mercer, left, and Sir James Goldsmith

elsewhere. An unexpectedly large \$9.4 million drop in M-1 sent Treasury prices lower.

Revlon said it was confident that ripples from the Boesky scandal would not affect its ability to finance its \$4.12 billion bid for Gillette. Drexel Burnham is supposed to provide the financing for the bid, which is led by Ronald O. Perelman. Gillette's stock had dropped sharply in the wake of the scandal, and Mr. Perelman was trying to reassure investors. Mr. Perelman, meanwhile, bought 9 percent of Tri-Star.

Wickes's deal for Lear Siegler is in trouble and most analysts expect it to collapse. Wickes said its problem in obtaining financing was due in part to the uncertainties of the junk bond market. That would be a blow to Wickes's ambitious acquisition path, although it said its deal to buy Collins & Aikman, a textile manufacturer, is not in trouble. Lear is not being left entirely out in the cold; a partnership of AFG Industries and Wagner & Brown said it might renew its \$1.51 billion bid.

Kodak is pulling out of South Africa, joining I.B.M. and G.M. But unlike those companies, Kodak said it would all but ban the sale of its products in South Africa. Kodak cited the economic uncertainty caused by the Government's apartheid policy. Separately, Kodak agreed to buy Fox Photo for \$95.5 million.

Santa Fe will restructure and cut back its railroad divisions, resulting in a \$914 million write-off in the fourth quarter.

Eastern's employees are trying again to scotch the sale of the airline to Texas Air. The unions asked a Federal judge to block the deal, saying they can make a higher cash offer.

Time will buy 50 percent of McCall's, Working Woman and Working Mother for \$44 million.

Sumitomo's investment in Goldman Sachs has been cleared by the Fed, which asked for a limit on the Japanese bank's investment. The Fed was worried that Sumitomo would gain control of Goldman.

Japan ordered chip makers to raise prices of semiconductors sold in Southeast Asia, Europe and South America. It thus yielded to pressure from the United States.

| The New York Stock Exchange | | | | |
|------------------------------|-------------|-----------------|----------|--------|
| MOST ACTIVE STOCKS | | | | |
| WEEK ENDED NOVEMBER 21, 1986 | | | | |
| (Consolidated) | | | | |
| Company | Sales | Last | Net Chng | |
| USX | 19,717,400 | 21 1/2 | - 1 1/2 | |
| Coc GE | 18,567,000 | 16 1/4 | - 1/2 | |
| Goodyear | 16,140,700 | 42 1/2 | - 5/8 | |
| AT&T | 15,918,400 | 26 1/4 | + 1 1/4 | |
| Gillette | 12,464,300 | 56 1/4 | - 1 1/4 | |
| IBM | 8,408,200 | 123 1/2 | + 1 1/2 | |
| Beverly | 8,021,400 | 17 | - 4/8 | |
| E Kodak | 8,615,700 | 69 | + 2 1/4 | |
| Trwld | 5,852,100 | 38 1/2 | - 2 | |
| Lockhd | 5,611,000 | 51 1/4 | - 4 | |
| S Fe So P | 5,588,600 | 34 | - 1/2 | |
| Bally Mt | 5,322,400 | 21 1/4 | + 1/2 | |
| CPC Int | 5,319,200 | 5 1/4 | + 1/2 | |
| INTL | 5,271,400 | 77 1/4 | + 1/2 | |
| Mobil | 5,255,400 | 39 1/2 | - 1/2 | |
| Standard & Poor's | | | | |
| 400 Indust | 274.2 | 261.8 | 273.5 | +1.29 |
| 20 Transp | 207.9 | 199.2 | 206.8 | +0.53 |
| 40 Util | 114.9 | 110.2 | 114.6 | +1.00 |
| 40 Financial | 27.1 | 26.0 | 27.1 | +0.28 |
| 500 Stocks | 246.3 | 235.5 | 245.8 | +1.36 |
| Dow Jones | | | | |
| 30 Indust | 1901.8 | 1797.1 | 1893.5 | +19.97 |
| 20 Transp | 844.2 | 805.3 | 838.8 | +0.83 |
| 15 Util | 212.4 | 202.5 | 211.4 | +1.32 |
| 65 Comb | 751.2 | 712.8 | 747.5 | +5.33 |
| The American Stock Exchange | | | | |
| MOST ACTIVE STOCKS | | | | |
| WEEK ENDED NOV. 21, 1986 | | | | |
| (Consolidated) | | | | |
| Company | Sales | Last | Net Chng | |
| Wickes | 9,328,300 | 4 1/4 | - 3/8 | |
| ACI Hldg | 2,004,500 | 14 1/4 | + 3/8 | |
| Loft | 1,571,200 | 18 1/2 | - 2 1/4 | |
| ACI pf | 1,218,400 | 13 1/2 | + 1 1/4 | |
| WangB | 1,071,600 | 12 | + 3/8 | |
| EchoBay | 1,024,400 | 20 1/2 | - 1 1/4 | |
| HornHard | 1,022,000 | 13 1/2 | - 2 1/4 | |
| Alza | 1,008,900 | 19 1/2 | + 1 1/4 | |
| IntlTr | 911,500 | 1 1/4 | ... | |
| BAT | 889,200 | 6 7/8 | - 3/8 | |
| MARKET DIARY | | | | |
| | Last | Prev. | | |
| | Week | Week | | |
| Advances | 792 | 857 | | |
| Declines | 1,157 | 1,089 | | |
| Total Issues | 2,218 | 2,214 | | |
| New Highs | 106 | 160 | | |
| New Lows | 89 | 48 | | |
| VOLUME | | | | |
| | Last | Year | | |
| | Week | To Date | | |
| (4 P.M. New York Close) | | | | |
| Total Sales | 860,596,200 | \$1,888,080,130 | | |
| Same Per. 1985 | 51,231,410 | 1,813,633,625 | | |
| WEEK'S MARKET AVERAGES | | | | |
| | High | Low | Last | Chng |
| New York Stock Exchange | | | | |
| Indust | 182.2 | 155.9 | 162.2 | +0.09 |
| Transp | 122.3 | 118.2 | 122.1 | -0.44 |
| Util | 76.0 | 73.5 | 76.0 | +0.51 |
| Finance | 142.1 | 137.5 | 142.0 | +0.23 |
| Composite | 140.9 | 135.7 | 140.9 | +0.22 |
| The American Stock Exchange | | | | |
| | Last | Prev. | | |
| | Week | Week | | |
| Advances | 267 | 325 | | |
| Declines | 494 | 409 | | |
| Unchanged | 158 | 189 | | |
| Total Issues | 919 | 923 | | |
| New Highs | 21 | 30 | | |
| New Lows | 69 | 46 | | |
| VOLUME | | | | |
| | Last | Year | | |
| | Week | To Date | | |
| (4 P.M. New York Close) | | | | |
| Total Sales | 56,029,805 | 2,672,347,649 | | |
| Same Per. 1985 | 51,231,410 | 1,813,633,625 | | |

The New York Times

Founded in 1851

ADOLPH S. OCHS, Publisher 1896-1935
ARTHUR HAYS SULZBERGER, Publisher 1935-1961
ORVIL E. DRYFOOS, Publisher 1961-1963

ARTHUR OCHS SULZBERGER, Publisher
MAX FRANKEL, Executive Editor
ARTHUR GELB, Managing Editor
JAMES L. GREENFIELD, Assistant Managing Editor
JACK ROSENTHAL, Editorial Page Editor
LESLIE H. GELB, Deputy Editorial Page Editor
A. M. ROSENTHAL, Associate Editor
LANCE B. PRIMIS, Exec. V.P., General Manager
RUSSELL T. LEWIS, Sr. V.P., Circulation
J. A. RIGGS JR., Sr. V.P., Operations
HOWARD BISHOP, V.P., Employee Relations
ERICH G. LINKER JR., V.P., Advertising
JOHN M. O'BRIEN, V.P., Controller
ELISE J. ROSS, V.P., Systems

Iran Won't Blow Over

Stay the course, Mr. President. Tough out all this noise about Iran. Thanksgiving will be upon us and with the holidays, people will forget. Keep saying you were right to try. Stick by Don Regan and John Poindexter; otherwise your critics will start choosing your Cabinet. Remember, Mr. President, standing firm has always worked for you. And look, according to ABC News, 62 percent of the people still trust you.

Are the President's aides really giving this counsel? It sure sounds like it from his efforts to rationalize the Iran fiasco. Such advice fails to explain Iran. It could also destroy the last two years of the Reagan Presidency.

The President's present trial differs from the past. The public now seems to feel more than anger about the foolish course pursued toward Iran, more even than profound disquiet about the intellect and skill of those around the Oval Office. What now seems evident, rare in the last six years, is doubt about the President himself.

The same poll that showed trust also showed that most Americans don't believe he's telling the truth about Iran. The poll put his general job rating at a high 57 percent — but that's a spectacular 10-point drop in one week.

Worrying is now matched by scurrying. Mr. Reagan reaffirms the rightness of his policy toward Iran, but Robert McFarlane, who launched it, now says it was wrong. Privately, he seems to be blaming John Poindexter, his successor as national security adviser, for carrying things too far with Tehran. Meanwhile, the White House puts out the word that it was all Israel's idea — that Israel sup-

plied many of the arms for Iran without Washington's approval; Israeli officials deny it.

Meanwhile, Defense and State Department officials keep pumping out anecdotes about how their bosses, Caspar Weinberger and George Shultz, thought that sending arms to Iran was crazy from the beginning and were thereafter kept in the dark. White House officials say otherwise.

Such are the signs of real panic, the likes of which have not been seen before in this Administration. Until now, officials have felt that Mr. Reagan's popularity would protect them.

The President has faced trouble before. His popularity plummeted during the 1982-83 recession. Then the economy gathered steam and carried almost all else before it. There were tumultuous disputes about Lebanon after the Israeli invasion there. Then Alexander Haig resigned and matters settled down. Grenada quickly distracted from the shocking Marine deaths in Beirut.

But in each case, the controversy focused either on policy or personalities. Now the issue is President Reagan's capacity to govern. Recent behavior knocks the assumption that his aides could always support and protect him. Consider how poorly briefed he was for his news conference last week.

Stay the course? Stand tall? For the sake of his capacity to govern, more far-reaching remedies are in order. Perhaps that means something dramatic like bringing James Baker back to the White House from Treasury and Brent Scowcroft back from retirement to his old job as national security adviser. Perhaps it also means using the holidays not to tough things out but to think them out, and then share a new and plausible agenda with the nation.

Insiders, Ultimate and Otherwise

It sounded outrageous, letting Ivan Boesky, the Wall Street manipulator, bail out his fellow investors immediately before the explosive disclosure of his long trail of illegal trading. The Securities and Exchange Commission argues that the shock to securities markets would have been worse if the Government hadn't allowed this ultimate inside deal. Final judgment on the commission's extraordinary grant of grace needs further information. What's not in doubt is the vice and damaging spread of insider trading.

Ivan Boesky calls himself a risk arbitrager. The way he played it, arbitrage is just a fancy word for manipulation. A prison term on top of his \$100 million in penalties will help send the right signal to the Street.

Mr. Boesky trafficked corruptly in corporate secrets, but it is not always so easy to know what the law means. The rules refer to "material non-public information" that can raise or lower the value of a company's securities. Company chairmen can't buy

stock just before they announce a dividend. But what about a janitor who sees a confidential memo in the trash, or a tip to a friend of an in-law of a company officer?

Better definition will be hard. What not to do is easy: ignore those market experts who now say that insider trading is no menace and that the rules should be repealed. Restriction prevents markets from performing efficiently, they say. After all, who knows a company's true value better than an insider?

If the cost of regulation is a slightly less efficient price mechanism, so be it. The overriding principle here is equity. All investors, big and small, should have access to all material information at the same time. It's too early to tell how much insiders like Ivan Boesky have distorted the markets or whether the S.E.C. made the right call in permitting his final deal. But the S.E.C. and Congress cannot walk away from the larger question — whether present law gives everyone a fair shake.

A Problem of Public Comfort

Someone strolling through Times Square one recent weekday noon would have seen a man urinating against the TKTS booth at Father Duffy Square and a woman squatting in the gutter at Broadway and 43d. If the stroller had entered the subway at Seventh or at Eighth Avenue, there would have been a choking stench. Why has the Crossroads of the World become a public lavatory?

Relieving oneself in public is not unique to Times Square. One need only walk down nearly any subway station's steps to know the problem. On the streets, the sight of somebody looking nervously over one shoulder while wetting a wall or a parked car has become common. It's the nervous glance that's fast becoming uncommon.

Part of the problem arises because there are more mentally disturbed people on the street. But it's hard to exhort people to use proper public facilities; there aren't any.

Nearly all New Yorkers have felt the need and understand the desperation of those who forgo all modesty. The lack of public facilities even forces some parents of small children to think twice before

planning a family outing in midtown. Six years ago, the subway system boasted 708 public restrooms. Today there are only 103, deterioration and danger having padlocked the others. Facilities in many of the public library's smaller branches have been closed for similar reasons.

Countless restaurants now post signs reading "Restrooms for customers only." The police can, and do, issue summonses for urinating in public, but it is unrealistic to expect the problem to be controlled by enforcement alone.

Several community boards have managed to get the owners of a few new office buildings to provide public facilities in exchange for extra floors. And the number of usable comfort stations in the city's parks has gone from 60 percent in 1978 to 74 percent today. That's not much help, though, to somebody blocks away from a park.

New York is enjoying a building boom. Plans abound for the tallest building, gleaming new real estate complexes, splendid subway station renovations. None, however, would be as welcome as something much more modest: public restrooms.

Topics

Radio Overactive

Her Master's Voice

Should President Reagan be questioned by a Federal employee at a White House news conference? It happened last Wednesday, when he was asked about breaking diplomatic relations with Nicaragua by Annette Lopez-Munoz. She works for Radio Marti, which is operated by the Voice of America, whose rules prohibit correspondents from asking questions at televised Presidential news conferences. It's a wise rule, one the White House Press Office should honor.

In Congress, the press itself determines eligibility to sit in press galleries. Correspondents prohibit admission to persons employed "in any legislative or executive department or independent agency of the Government." But at the White House, the Correspondents Association can only recommend ground rules for news conferences. At Ms. Lopez-Munoz's request, the association recently reversed a policy of discouraging

questions from Federal employees. Mr. Reagan's press office accredits correspondents. It has a "tradition" of expecting Federal journalists to keep their silence. The reason is obvious: a President is unlikely to be rigorously questioned by his own employees. If the White House "tradition" is sound, it should be applied evenly. Why pretend Government journalists operate by the same rules as the independent kind?

The President, for \$1.90

President Reagan is a new subscriber to A.T. & T.'s "900" call-in service, which permits someone with something to say to make it available for a fee. For \$1.90, any radio station, or citizen, can call 1-900-410-8255 and pick up the President's five-minute weekly radio broadcast each Saturday at 12:06 P.M. Eastern time.

The number was set up recently to accommodate stations that aren't

hooked into a network that carries the talks. CBS has refused to carry the talks from the outset, evidently fearing it would also have to run responses, and Mutual dropped out last summer when the White House substituted a two-day-old taped talk for the usual live broadcast.

Mr. Reagan and then-President Carter inaugurated "900" service in 1980 to tally opinion after their campaign debate. The results were suspect because both sides inflated the count with organized call-ins.

There are dozens of "900" numbers now, including Penn State football play-by-play, Chrysler's annual stockholders' meeting, sports scores, lottery results and lots of pornography. A.T. & T. splits the profits with the subscriber. The White House, ever respectful of market forces, says it will stop the service if it doesn't pay for itself. Credit Mr. Reagan for an approach to this new medium that is the same as his message.

Letters

A Question of What's Held Hostage in Linkage

To the Editor:

"The Right Priority for Human Rights" (editorial, Nov. 13) concludes with the observation: "Human rights and arms control are fundamental concerns of the American people. Holding one hostage to the other does a disservice to both."

You seem to be under the impression that Secretary Shultz suggested a different approach to this subject in his Oct. 31 speech in Los Angeles. That is not the case. On the contrary, in the question and answer session immediately following Secretary Shultz's speech, the following exchange occurred:

Question: Are we willing to forgo a historic opportunity to end the arms race because of Soviet domestic policies?

Secretary Shultz: "No... if we can find an arms control agreement that we believe is secure and in our interest and verifiable, I am sure the President will want to proceed with that."

Your editorial also observed that "Soviet leaders should have no doubt that improvements in overall relations is retarded by their behavior on human rights." Secretary Shultz made precisely the same point when he said: "I think we have to make it clear that there is a limitation, a very great limitation, on the kind of progress that we can make in establishing a more stable and more workable situation between our countries as long as the human rights situation remains what it is, and it just seems like an obvious fact of life to me."

The Administration's position on this issue has remained consistent and clear over the years.

CHARLES E. REDMAN
Washington, Nov. 14, 1986
The writer is Assistant Secretary-Designate for Public Affairs and State Department spokesman.

Humanity Comes First

To the Editor:

I do not challenge your basic premise in "The Right Priority for Human Rights" (editorial, Nov. 13), but you have neglected some subtle points.

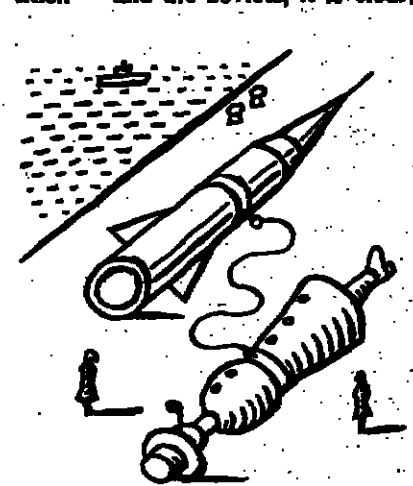
You are correct in noting that direct, formal linkage between Soviet performance on human rights and issues like arms reduction has no place in a relationship on which the survival of the planet may depend. It is certainly true that holding arms reduction hostage to human rights "does a disservice to both [issues]."

As much as we care about how the Soviets treat their own citizens, we

owe it to our children and grandchildren to care more about ending the arms race, and if possible, liberating the world from the threat of nuclear oblivion. The world can exist without human rights — much as we would abhor that kind of world — but human rights cannot exist without the world.

So we must pursue an arms agreement with Moscow — relentlessly, tenaciously, and yes, courageously. I too take issue with Henry Kissinger's axiom that "you can't talk about arms control when Soviet behavior in other areas is unacceptable." Of course you can talk about it. You must talk about it. But talking about it is one thing; reaching agreement is another.

In the real world, the U.S. and the Soviet Union have failed to agree on nuclear arms not because they fail to see the necessity — both sides appreciate that. Neither wants to endanger the world, neither really wants the economic burden of arms competition — and the Soviets, it is clear,



live in fear of what an arms race in space would mean for their economy.

The reason the two superpowers are still locked in an arms race can be explained in one word: distrust. This distrust does not arise from the arms race itself, though certainly it is a contributory factor. From the American side, the distrust is almost wholly a function of Soviet behavior. When Soviet troops march into Afghanistan, when Soviet arms pour into Nicaragua, and when the 1975 Helsinki human rights accords are observed by Moscow in the breach, the idea of a Soviet-American agreement on arms seems too high-risk. After all, Americans consciously ask themselves, if the Soviets can't be trusted to live up to an agreement on

renunciation of families — something that surely does not touch vital Soviet interests — how can we trust them to cut back or dismantle their nuclear stockpile? Soviet leaders evoke words like "humanitarian" to suggest a new receptivity on human rights. But Soviet behavior makes it clear that the only thing new is the window dressing, aimed at concealing the same old Soviet insensitivity toward those rights.

How can we rely on the word of a Government that acts this way?

The right priority for human rights? Among the highest, I would submit. For Soviet performance in this area, whether the Kremlin likes it or not, is a major test of Soviet reliability. In short, the question is not whether there should or should not be linkage. The real question is whether you can unlink one area of distrust — Moscow's record on human rights — from another area where we must count on trust. And the answer, quite clearly, is no.

If the Soviets want an arms agreement, let them first honor a people agreement. Let them observe the human rights provisions of the Helsinki accords. Then we can talk about arms.

SEYMOUR D. REICH
President, B'nai B'rith International
Washington, Nov. 17, 1986

Let the Light In

To the Editor:

After watching with much hope for too long, I have come to believe that arms negotiation is too important to be left to a handful of men behind closed doors.

I propose that all arms negotiation sessions be open and televised. I know that this is an unheard-of idea, and may initially sound incredibly naive, but I truly believe that we, and the other citizens of our planet, have the right to know what's really going on. When our own President engages in "disinformation" campaigns, it's time to see for ourselves. Otherwise, who are the real enemies of democracy?

The realities are terrifying, but they must be faced — directly. If U.S. Senate sessions can be televised, why not this? We cannot afford the moral laziness of leaving this discussion to bureaucratic backrooms.

I urge all who share a sense of responsibility for the preservation of our planet to consider this idea to bring the dialogue of darkness into the light of day.

RUTH E. MALONE
Oakland, Calif., Nov. 10, 1986

Voltaire's Dictum Is Odd Ex Cathedra

To the Editor:

Given the recent actions taken by the Vatican against Archbishop Raymond G. Hunthausen of Seattle and the clerics who signed the "pro-choice" advertisement in The New York Times, I found it odd that Bishop James Malone, president of the United States Catholic Conference of Bishops, would paraphrase Voltaire in avowing that "as citizens we will die to protect this freedom of speech" (news story, Nov. 11).

Granted, Roman Catholics have come a long way from Pope Gregory XVI's characterization of freedom of speech in Mirari Vos (1832) as "a madness." But is Bishop Malone's remark logical or credible?

J. Courtney Murray, the American Jesuit co-author of Vatican II's Religious Liberty Declaration, warned in the Abbot edition of the documents of Vatican II that the declaration's "course of development" from contradictory pre-Vatican II teaching "still needs to be explained by theologians." For the sake of intellectual honesty, it is perhaps time for the Catholic hierarchy either to abandon the Rosseauian Religious Liberty Declaration, as many traditionalists urge, or to integrate its teaching.

The theological schizophrenia which has the Catholic hierarchy speaking as Bishop Malone does while punishing those Catholics who take his cue cannot continue without grave consequences.

ANDREW D'EMIC
Brooklyn, Nov. 11, 1986

Uncovered Catastrophic Ills of the Elderly

To the Editor:

The Department of Health and Human Services is presenting its proposed changes in the Medicare program as increasing insurance coverage for the nation's elderly who are victims of "catastrophic" illness (news story, Nov. 2). While the term "catastrophic" is not defined, it is clear that the department's proposals will do little to meet the major unmet need of the elderly — insurance of payment for long-term chronic care, such as nursing-home care or home care.

The department seeks to limit an individual's out-of-pocket expenditures for acute care — hospital and physician's bills — but ignores the fact that hospital stays are getting shorter under the prospective reimbursement system and that the costs for most short-term hospitalizations are adequately covered by a combination of Medicare, employer plans (for the working elderly and their spouses) and supplemental insurance programs. However, none of these covers long-term chronic (non-skilled) care necessitated by the catastrophes most elderly persons face: stroke, arthritis, Alzheimer's disease.

The department's expectation that the private insurance industry can be encouraged to insure for long-term care needs is misplaced. The private insurance industry, like Medicare, has so far failed to provide affordable and meaningful coverage for long-term care. For example, many of the new so-called long-term-care policies do not cover chronic nursing-home care or services in the home.

The department's proposals provide no comfort for the majority of

elderly Americans who face the prospect of an impoverished old age because they must exhaust their life savings to pay for long-term care. The Administration and Congress need to face this reality and take the necessary steps to insure that chronic long-term-care costs for the elderly are covered by the Medicare program.

MARGARET M. FLINT
New York, Nov. 14, 1986
The writer is a staff attorney at the Hunter Brookdale Institute on Law and Rights of Older Adults.

Fast-Sell Syndrome

To the Editor:

Why are we being so hard on President Reagan for shipping a few "defensive weapons" to Iran? Past experience should give him every reason to believe that if push came to shove, the American public might buy his reasons for nurturing ties with Iranian "moderates." We bought the "window of vulnerability" and allowed the Pentagon to spend far more than we could sensibly afford. We bought the MX missile as a "peace keeper." Star Wars as a "defense." The contrast as "freedom fighters" fighting for democracy. We accepted that Daniloff was not swapped for a spy and that Reykjavik was an inspired beginning to jaw-jawing arms control.

The problem may be that the American public constitutes a generation raised on TV fast sell and we don't know how to recognize snake oil as snake oil.

WENDY MESNICKOFF
Hastings-on-Hudson, N.Y., Nov. 16, 1986

To Overhaul the Rules on Lookout Procedures for Foreigners

To the Editor:

"Why Fear Foreigners' Free Speech?" (editorial, Nov. 13) properly calls for Congress to revise those sections of our immigration law that bar admission to persons who engage in activities deemed prejudicial to the United States. But legislative change, especially on an issue as politically charged as the grounds for exclusion, is likely to be some time away.

Meanwhile, the executive branch could and should overhaul its procedures for handling the lookout system. Guidelines exist, of course, for how names are entered into the system, but they are not rigorously administered, and review, once names are listed, is virtually nonexistent.

The following should be done:

• An interagency review panel of three or five representatives of the Departments of State and Justice, should be established to rule on the recommendations of the intelligence agencies to list names. Standards guiding the type, quality and sources of information that lead to a recommendation to list should be established and upheld. In emergencies — for example a suspected terrorist — names could be posted immediately and then reviewed by the panel.

• Names currently listed should be

reviewed. Those for which available information does not conform to the standards should be removed or proper justification supplied.

• A systematic review of all names should be made regularly, perhaps every three years, to re-authorize or drop names.

• Persons who learn they are listed as excludable should be allowed to refute the designation. Aliens do not have due process rights and should not be admitted into the U.S. for this purpose. However, individuals should be allowed to present information to an impartial, non-litigative authority, such as the panel, for review.

Immigration officials have strug-

gled with arcane exclusion provisions for years. In other troublesome and controversial areas, e.g., marijuana use and homosexuality, government agencies have administratively devised procedures that observe both the law and changing realities. Rigorous management of lookout procedures and a commitment to simple fairness would go a long way toward righting some of the more obvious wrongs.

DORIS M. MEISSNER

Washington, Nov. 18, 1986
The writer, senior associate at the Carnegie Endowment for International Peace, was formerly acting commissioner of the Immigration and Naturalization Service.



The New York Times Company

229 West 43d St., N.Y. 10036

Operating Groups

ARTHUR OCHS SULZBERGER, Chairman
WALTER MATTHEWSON, President
DAVID L. GORHAM, Senior Vice President
BENJAMIN HANDELMAN, Senior Vice President
MICHAEL E. RYAN, Senior Vice President
GUY T. GARRETT, Vice President
SOLOMON B. WATSON IV, Secretary
DENISE K. FLETCHER, Treasurer

WILLIAM H. DAVIS, Senior Vice President
JOHN D. POMFREY, Senior Vice President
JOHN R. HARRISON, Vice President
WILLIAM T. KERR, Vice President
DAVID K. MACDONALD, Vice President
C. FRANK ROBERTS, Vice President

WASHINGTON | James Reston

Reagan Needs a Hand

The main question here now is not how President Reagan got into this latest mess in Iran, but how he's going to come out of it as an effective leader of the nation and the alliance.

Mr. Reagan will be President for two long years in which what he decides or fails to decide will certainly influence the life of the American people and even of the world during the last 14 years of the century.

Accordingly, the immediate problem is not how to blame him but how to help him, and eventually how to replace him with somebody who knows not merely how to get elected, but how to govern and lead a nation and defend a civilization.

Clearly he needs help. His performance recently on nuclear arms at the Iceland summit, on "disinfecting" the nation on Libya, on secretly arming the contras in Nicaragua and the mullahs in Iran has been alarmingly defective. And his public defense of these antics has been painful and even embarrassing.

He has not been getting the help he needs from his White House staff.

They know his limitations better than anybody else, but in trying to replace him with their "help," they have doubled and redoubled his problems.

So what to do? Iran was not a disaster but merely a

warning. The President is still the most popular actor on the political stage. His problem is not to defend the past but to change the question and plan for the future.

The Democrats don't have a clue about how to deal with Iran and the Middle East — nobody does — but Mr. Reagan can't get their cooperation in his last two years by blaming them for his mistakes, and insisting that he was right on everything and his critics were all wrong.

His problem lies not with his opponents, but with his friends. Secretary of State Shultz has made clear in public that he didn't agree with the President's latest adventure in Iran.

Nobody can remember a time here when two former Presidents have gone on national television to oppose the President on a major policy decision such as Iran the way Presidents Ford and Carter did last week. And suddenly, and for the first time, public opinion as measured by the polls has begun to doubt the President's judgment.

It is this switch in popular support that is new, for the first time, weighing the President and his staff. For six years, the American people have

not had a political relationship but a kind of love affair with Ronald Reagan; but lately they have begun to wonder, for he has not been leveling with them but deceiving and even cheating them, and the danger is that, as in all love affairs, they may now turn on him and make things even worse than they really are.

Secretary of State Shultz has sensed this danger and has been trying to reconcile the differences between the White House and the State Department, and between the President and the Congress.

The White House staff, however, has not seemed to understand the problem. The head of the National Security Council, Admiral Poindexter, the author of the White House "disinformation" policy, has been a disaster in his attempts to explain Grenada, Libya and Iran to the Congress and the press.

So there is one view here that, looking to the future, the White House staff should be changed and that to begin with, Admiral Poindexter, the fourth national security chief in six years, should be granted a long-overdue retirement.

And a change of attitude and staff

Donald Regan, the White House chief of staff, has been almost too frank in his description of his work. "Some of us," he said the other day, "are like a shovel brigade that follow a parade down Main Street cleaning up. We took Reykjavik and turned what was really a sour situation into something that turned out pretty well. Who was it that took this disinformation thing and managed to turn it? Who was it that took on this loss of the Senate and pointed out a few facts and managed to pull that?"

The answer is obvious. It was Donald Regan and Pat Buchanan, and the rest of the Administration's gay deceivers, who, with the President's approval or indifference, created the worst crisis of confidence in Washington since the days of Richard Nixon.

But the central fact remains: Ronald Reagan is the only President we have, and he can still turn all this around if he can deal with the main problem of world affairs — the nuclear arms race with the Russians.

He can no doubt restore the confidence of the nation between now and the end of the year by a change of attitudes and a change of staff, but he keeps insisting that everything he did in Iran, in Iceland and in Nicaragua was right and everybody else was wrong. Unless that is changed, it will be a long and tormented two years at the end of Ronald Reagan's Presidency.

IN THE NATION | Tom Wicker

The Shovel Brigade

One of the least admirable, if often effective, traits of the Reagan White House has been its preoccupation with the appearance rather than the substance of things. But it was nevertheless rare and revealing to hear Donald Regan, the bumptious chief of Presidential staff, admit and even boast of this public relations approach.

The terms Mr. Regan chose to use, however, in an interview with Bernard Weinraub of The New York Times, betrayed an attitude he could hardly have intended to display:

"Some of us are like a shovel brigade that follow a parade down Main Street cleaning up. We took Reykjavik and turned what was really a sour situation into something that turned out pretty well."

Can the staff chief actually have meant to suggest that what President Reagan wrought at the Iceland summit was akin to the trash — or worse — that's left on the pavement after a parade? Or did his choice of metaphor reflect only his subconscious appraisal of the boss's work? Or, inexcusably for a man in Mr. Regan's position, did he merely choose his words carelessly?

Such headshrinking aside, those words were remarkable for their candid statement of priorities, as was the following paragraph:

"Who was it that took this disinformation thing and managed to turn it? Who was it that took on this loss in the Senate and pointed out a few facts and managed to pull that? I don't say we'll be able to do it four times in a row. But here we go again and we're trying."

Amid this gray sea of imprecision, the "four times in a row" reference needs explanation. Mr. Regan meant to say that after the "sour situation" and the "disinformation thing" and "this loss in the Senate" (presumably on Election Day), if he and the rest of the shovel brigade could "clean up" the public and Congressional reaction against the President's secret dealings with Iran, they would have achieved four public relations victories in a row. (He could have made it five by including what he might call "the Daniloff thing.")

The greater significance of Chief Regan's indignant remarks (he was insisting to Bernie Weinraub, unapologetically, that he and his staff were

not as bumbling as some critics think) is in the list of accomplishments he cited. All were instances in which the shovel brigade's cleanup had influenced the public to think that a "sour situation" really had been a Reagan triumph.

That's a mind-set in which the appearance of things — "the image" — is more important than the facts of the matter. Mr. Regan conveyed little concern that his boss had stumbled, or been allowed to stumble, into a "sour situation" at Reykjavik; or that the White House national security adviser had perpetrated "this disinformation thing" — an attempt to intimidate Muammar el-Qaddafi by hornsogging the U.S. press; or that the President's party had lost eight seats and its majority in the Senate.

These, and certainly the Iranian fiasco, are all matters about which a White House staff chief, let alone a President, might well be agitated; in some administrations, they might have led to soul-searching and self-criticism; somebody might even have been fired. But not in this crowd: Mr. Regan said about

as plainly as it could be said that as long as the public had been pulled into accepting that things were going well, then his shovel brigade had done its job.

The staff chief also complained that if Congress had been consulted about the secret dealing with Iran, "I suspect it would not have held as a secret as long as it did."

Of course not. But one good reason why Congress is supposed by law to be consulted on such operations is that the more people who know about a scheme, the more likely it is that someone will point out its flaws and emphasize its risks. Consultation with Congress — even some of those hated leaks to the press — sometimes have saved Presidents from barging into just such ill-considered adventures as Mr. Reagan's Iranian caper.

It may well be too late, in this instance, for the White House to cover its well-deserved embarrassment and turn a security disaster into a public relations triumph. If so, it won't be for lack of trying, as Mr. Regan suggested — even though now we know from the chief of staff himself what they've been shoveling at the White House.

Dealing with the Iran thing

By Stephen Gillers

Wander into a Federal courtroom in Manhattan one day next year and, if you can get a seat, you might see an earnest lawyer, standing beside a well-dressed defendant, imploring the judge not to send his client to prison. The defendant will be Ivan Boesky, and his lawyer might say something like this:

"My client has pleaded guilty to using inside information to trade stock. And he has admitted to earning \$50 million that way. But, your honor, he is sorry for what he did and recognizes that it was wrong."

"As proof of his contrition, your honor should consider that Mr. Boesky has entered a guilty plea and saved the Government the cost of trial, and that he has provided the Government with evidence against other significant defendants who

might otherwise have gone unpunished."

"Finally, your honor, Mr. Boesky has agreed to repay every dollar of his illegal gains, plus an additional \$50 million as a penalty. I submit that sending Mr. Boesky to prison will serve no further purpose."

Half right. Prison would serve no further purpose for Mr. Boesky who, following a transition period, will withdraw from the securities business forever. We can be pretty confident that Mr. Boesky is not going to do it again. Then, what do we gain by locking him up?

Plenty, as risk arbitrageurs — call them arbs — like Mr. Boesky should well appreciate. The principles to which they themselves subscribe require incarceration.

A risk arbitrage bet on the contingencies that influence a stock's future price. When information is equally available to everyone in the market, rewards go to those best able to discover the information and to predict its consequences.

Mr. Boesky chose not to trust to these rare and chance skills. Instead, he illegally assured his success by

buying secret information from people in the financial community, who in turn stole the information from their own firms or clients. Taking the risk out of risk arbitrage is like playing cards with a stacked deck. It cheats the owner of the information, and the other players, who have a right to assume that no one else is doing what they cannot do. But no-risk arbitrage can be mighty tempting.

It is the job of the penal system to put the risk back in. How? Fines won't do it. A fine is just another monetary risk that an arb can plug into his equation before deciding whether to trade on inside information.

Mr. Boesky chose not to trust to these rare and chance skills. Instead, he illegally assured his success by

buying secret information from people in the financial community, who in turn stole the information from their own firms or clients. Taking the risk out of risk arbitrage is like playing cards with a stacked deck. It cheats the owner of the information, and the other players, who have a right to assume that no one else is doing what they cannot do. But no-risk arbitrage can be mighty tempting.

It is the job of the penal system to put the risk back in. How? Fines won't do it. A fine is just another monetary risk that an arb can plug into his equation before deciding whether to trade on inside information.

Mr. Boesky chose not to trust to these rare and chance skills. Instead, he illegally assured his success by

buying secret information from people in the financial community, who in turn stole the information from their own firms or clients. Taking the risk out of risk arbitrage is like playing cards with a stacked deck. It cheats the owner of the information, and the other players, who have a right to assume that no one else is doing what they cannot do. But no-risk arbitrage can be mighty tempting.

It is the job of the penal system to put the risk back in. How? Fines won't do it. A fine is just another monetary risk that an arb can plug into his equation before deciding whether to trade on inside information.

Mr. Boesky chose not to trust to these rare and chance skills. Instead, he illegally assured his success by

buying secret information from people in the financial community, who in turn stole the information from their own firms or clients. Taking the risk out of risk arbitrage is like playing cards with a stacked deck. It cheats the owner of the information, and the other players, who have a right to assume that no one else is doing what they cannot do. But no-risk arbitrage can be mighty tempting.

It is the job of the penal system to put the risk back in. How? Fines won't do it. A fine is just another monetary risk that an arb can plug into his equation before deciding whether to trade on inside information.

Mr. Boesky chose not to trust to these rare and chance skills. Instead, he illegally assured his success by

buying secret information from people in the financial community, who in turn stole the information from their own firms or clients. Taking the risk out of risk arbitrage is like playing cards with a stacked deck. It cheats the owner of the information, and the other players, who have a right to assume that no one else is doing what they cannot do. But no-risk arbitrage can be mighty tempting.

It is the job of the penal system to put the risk back in. How? Fines won't do it. A fine is just another monetary risk that an arb can plug into his equation before deciding whether to trade on inside information.

Mr. Boesky chose not to trust to these rare and chance skills. Instead, he illegally assured his success by

buying secret information from people in the financial community, who in turn stole the information from their own firms or clients. Taking the risk out of risk arbitrage is like playing cards with a stacked deck. It cheats the owner of the information, and the other players, who have a right to assume that no one else is doing what they cannot do. But no-risk arbitrage can be mighty tempting.

It is the job of the penal system to put the risk back in. How? Fines won't do it. A fine is just another monetary risk that an arb can plug into his equation before deciding whether to trade on inside information.

Mr. Boesky chose not to trust to these rare and chance skills. Instead, he illegally assured his success by

buying secret information from people in the financial community, who in turn stole the information from their own firms or clients. Taking the risk out of risk arbitrage is like playing cards with a stacked deck. It cheats the owner of the information, and the other players, who have a right to assume that no one else is doing what they cannot do. But no-risk arbitrage can be mighty tempting.

It is the job of the penal system to put the risk back in. How? Fines won't do it. A fine is just another monetary risk that an arb can plug into his equation before deciding whether to trade on inside information.

Mr. Boesky chose not to trust to these rare and chance skills. Instead, he illegally assured his success by

buying secret information from people in the financial community, who in turn stole the information from their own firms or clients. Taking the risk out of risk arbitrage is like playing cards with a stacked deck. It cheats the owner of the information, and the other players, who have a right to assume that no one else is doing what they cannot do. But no-risk arbitrage can be mighty tempting.

No-Risk Arbs Meet Risk Justice

Why Boesky should go to prison

buying secret information from people in the financial community, who in turn stole the information from their own firms or clients. Taking the risk out of risk arbitrage is like playing cards with a stacked deck. It cheats the owner of the information, and the other players, who have a right to assume that no one else is doing what they cannot do. But no-risk arbitrage can be mighty tempting.

It is the job of the penal system to put the risk back in. How? Fines won't do it. A fine is just another monetary risk that an arb can plug into his equation before deciding whether to trade on inside information.

Mr. Boesky chose not to trust to these rare and chance skills. Instead, he illegally assured his success by

buying secret information from people in the financial community, who in turn stole the information from their own firms or clients. Taking the risk out of risk arbitrage is like playing cards with a stacked deck. It cheats the owner of the information, and the other players, who have a right to assume that no one else is doing what they cannot do. But no-risk arbitrage can be mighty tempting.

It is the job of the penal system to put the risk back in. How? Fines won't do it. A fine is just another monetary risk that an arb can plug into his equation before deciding whether to trade on inside information.

Mr. Boesky chose not to trust to these rare and chance skills. Instead, he illegally assured his success by

buying secret information from people in the financial community, who in turn stole the information from their own firms or clients. Taking the risk out of risk arbitrage is like playing cards with a stacked deck. It cheats the owner of the information, and the other players, who have a right to assume that no one else is doing what they cannot do. But no-risk arbitrage can be mighty tempting.

It is the job of the penal system to put the risk back in. How? Fines won't do it. A fine is just another monetary risk that an arb can plug into his equation before deciding whether to trade on inside information.

Mr. Boesky chose not to trust to these rare and chance skills. Instead, he illegally assured his success by

buying secret information from people in the financial community, who in turn stole the information from their own firms or clients. Taking the risk out of risk arbitrage is like playing cards with a stacked deck. It cheats the owner of the information, and the other players, who have a right to assume that no one else is doing what they cannot do. But no-risk arbitrage can be mighty tempting.

It is the job of the penal system to put the risk back in. How? Fines won't do it. A fine is just another monetary risk that an arb can plug into his equation before deciding whether to trade on inside information.

Mr. Boesky chose not to trust to these rare and chance skills. Instead, he illegally assured his success by

buying secret information from people in the financial community, who in turn stole the information from their own firms or clients. Taking the risk out of risk arbitrage is like playing cards with a stacked deck. It cheats the owner of the information, and the other players, who have a right to assume that no one else is doing what they cannot do. But no-risk arbitrage can be mighty tempting.

It is the job of the penal system to put the risk back in. How? Fines won't do it. A fine is just another monetary risk that an arb can plug into his equation before deciding whether to trade on inside information.

Mr. Boesky chose not to trust to these rare and chance skills. Instead, he illegally assured his success by

buying secret information from people in the financial community, who in turn stole the information from their own firms or clients. Taking the risk out of risk arbitrage is like playing cards with a stacked deck. It cheats the owner of the information, and the other players, who have a right to assume that no one else is doing what they cannot do. But no-risk arbitrage can be mighty tempting.

It is the job of the penal system to put the risk back in. How? Fines won't do it. A fine is just another monetary risk that an arb can plug into his equation before deciding whether to trade on inside information.

Mr. Boesky chose not to trust to these rare and chance skills. Instead, he illegally assured his success by

buying secret information from people in the financial community, who in turn stole the information from their own firms or clients. Taking the risk out of risk arbitrage is like playing cards with a stacked deck. It cheats the owner of the information, and the other players, who have a right to assume that no one else is doing what they cannot do. But no-risk arbitrage can be mighty tempting.

It is the job of the penal system to put the risk back in. How? Fines won't do it. A fine is just another monetary risk that an arb can plug into his equation before deciding whether to trade on inside information.

Mr. Boesky chose not to trust to these rare and chance skills. Instead, he illegally assured his success by

buying secret information from people in the financial community, who in turn stole the information from their own firms or clients. Taking the risk out of risk arbitrage is like playing cards with a stacked deck. It cheats the owner of the information, and the other players, who have a right to assume that no one else is doing what they cannot do. But no-risk arbitrage can be mighty tempting.

It is the job of the penal system to put the risk back in. How? Fines won't do it. A fine is just another monetary risk that an arb can plug into his equation before deciding whether to trade on inside information.

Mr. Boesky chose not to trust to these rare and chance skills. Instead, he illegally assured his success by

buying secret information from people in the financial community, who in turn stole the information from their own firms or clients. Taking the risk out of risk arbitrage is like playing cards with a stacked deck. It cheats the owner of the information, and the other players, who have a right to assume that no one else is doing what they cannot do. But no-risk arbitrage can be mighty tempting.

It is the job of the penal system to put the risk back in. How? Fines won't do it. A fine is just another monetary risk that an arb can plug into his equation before deciding whether to trade on inside information.

Mr. Boesky chose not to trust to these rare and chance skills. Instead, he illegally assured his success by

buying secret information from people in the financial community, who in turn stole the information from their own firms or clients. Taking the risk out of risk arbitrage is like playing cards with a stacked deck. It cheats the owner of the information, and the other players, who have a right to assume that no one else is doing what they cannot do. But no-risk arbitrage can be mighty tempting.

It is the job of the penal system to put the risk back in. How? Fines won't do it. A fine is just another monetary risk that an arb can plug into his equation before deciding whether to trade on inside information.

Mr. Boesky chose not to trust to these rare and chance skills. Instead, he illegally assured his success by

tion. We can identify the calculus: First, compute the likely size of the fine. Second, discount that sum by the improbability of apprehension. Finally, compare the result to the profit the inside information can earn. If the difference is large enough, you make the trade.

But there is one contingency for which the insider's calculus contains no value: prison. Prison is a fact beyond numbers. It is the penal system's wild card, restoring the risk that the insider has sought to avoid. Although prison may not deter the more impulsive variety of lawbreakers, it will surely impress the calculating people who contemplate inside trading.

What about Mr. Boesky's promised guilty plea, his disgorgement of profits, his \$50 million fine and, especially, his help in getting evidence against others? Don't these count for something?

They must. If we want people like Mr. Boesky to cooperate, we have to make it worth their while. A small but unpleasant irony in all this is that market considerations apply even here. The Government has to bargain: cooperation in return for prison time; the more cooperation, the less time.

Cooperation mainly means helping to get evidence against others, preferably major violators. The criminal justice marketplace then uses what must be the world's most remarkable pricing structure — one that enables prosecutors and defense counsel to convert the value of evidence against other defendants into reduced prison time. Mr. Boesky himself was a victim of this marketplace when Dennis Levine, one of his information suppliers, was caught and traded him to the Government.

Exchanging prison time for help has a disturbing but inevitable consequence. The final person to be charged will have no one to trade. Yet the final person to be charged may be no more culpable than the others — perhaps, less so.

Even this apparent injustice makes some sense, as arbitrageurs should again be able to appreciate. It encourages people to come forward before they get caught. Anyone now worrying about whether and when he might become a target of the insider trading investigation has to balance the hope that he can escape undetected against the risk that he will be arrested too late for his information to be useful. Information, like a stock option, is a wasting asset. Wait too long to use it and it becomes worthless. As in the stock market, timing is all.

Insiders need to face justice's wild card

Insiders need to face justice's wild card

tim of this marketplace when Dennis Levine, one of his information suppliers, was caught and traded him to the Government.

Exchanging prison time for help has a disturbing but inevitable consequence. The final person to be charged will have no one to trade. Yet the final person to be charged may be no more culpable than the others — perhaps, less so.

Even this apparent injustice makes some sense, as arbitrageurs should again be able to appreciate. It encourages people to come forward before they get caught. Anyone now worrying about whether and when he might become a target of the insider trading investigation has to balance the hope that he can escape undetected against the risk that he will be arrested too late for his information to be useful. Information, like a stock option, is a wasting asset. Wait too long to use it and it becomes worthless. As in the stock market, timing is all.

Insiders need to face justice's wild card

tim of this marketplace when Dennis Levine, one of his information suppliers, was caught and traded him to the Government.

Exchanging prison time for help has a disturbing but inevitable consequence. The final person to be charged will have no one to trade. Yet the final person to be charged may be no more culpable than the others — perhaps, less so.

Even this apparent injustice makes some sense, as arbitrageurs should again be able to appreciate. It encourages people to come forward before they get caught. Anyone now worrying about whether and when he might become a target of the insider trading investigation has to balance the hope that he can escape undetected against the risk that he will be arrested too late for his information to be useful. Information, like a stock option, is a wasting asset. Wait too long to use it and it becomes worthless. As in the stock market, timing is all.

Insiders need to face justice's wild card

tim of this marketplace when Dennis Levine, one of his information suppliers, was caught and traded him to the Government.

Exchanging prison time for help has a disturbing but inevitable consequence. The final person to be charged will have no one to trade. Yet the final person to be charged may be no more culpable than the others — perhaps, less so.

Even this apparent injustice makes some sense, as arbitrageurs should again be able to appreciate. It encourages people to come forward before they get caught. Anyone now worrying about whether and when he might become a target of the insider trading investigation has to balance the hope that he can escape undetected against the risk that he will be arrested too late for his information to be useful. Information, like a stock option, is a wasting asset. Wait too long to use it and it becomes worthless. As in the stock market, timing is all.

Insiders need to face justice's wild card

tim of this marketplace when Dennis Levine, one of his information suppliers, was caught and traded him to the Government.

Exchanging prison time for help has a disturbing but inevitable consequence. The final person to be charged will have no one to trade. Yet the final person to be charged may be no more culpable than the others — perhaps, less so.

Even this apparent injustice makes some sense, as arbitrageurs should again be able to appreciate. It encourages people to come forward before they get caught. Anyone now worrying about whether and when he might become a target of the insider trading investigation has to balance the hope that he can escape undetected against the risk that he will be arrested too late for his information to be useful. Information, like a stock option, is a wasting asset. Wait too long to use it and it becomes worthless. As in the stock market, timing is all.

Insiders need to face justice's wild card

tim of this marketplace when Dennis Levine, one of his information suppliers, was caught and traded him to the Government.

Exchanging prison time for help has a disturbing but inevitable consequence. The final person to be charged will have no one to trade. Yet the final person to be charged may be no more culpable than the others — perhaps, less so.

Even this apparent injustice makes some sense, as arbitrageurs should again be able to appreciate. It encourages people to come forward before they get caught. Anyone now worrying about whether and when he might become a target of the insider trading investigation has to balance the hope that he can escape undetected against the risk that he will be arrested too late for his information to be useful. Information, like a stock option, is a wasting asset. Wait too long to use it and it becomes worthless. As in the stock market, timing is all.

The Syrian Terror Machine

By Benjamin Netanyahu

The sandstorm kicked up by the Iranian affair threatens to obscure the central question concerning international terrorism: who stands behind it?

For years, Syria has been getting away with international murder. Now, the trial and conviction of Nezar Hindawi for trying to blow up an Israeli airliner in London has irretrievably unmasked Syria's role in a monstrous attempt at mass slaughter. When you lift a rock and expose the creatures beneath it to sunlight, they scurry for cover. Similarly, in the weeks since the trial, Syrian officials have been frantically rushing about trying to shift blame and deflect international attention.

Benjamin Netanyahu, Israel's permanent representative at the United Nations, has edited two books on terrorism.

First, they claimed there was no evidence. (In fact, there is plenty; if the West needed a smoking pistol, the London trial provided a smoldering cannon.) Then, adopting the criminal's tactic of blaming his victim, they charged absurdly that the whole thing was an Israeli plot. Next, they released, in Damascus, two French hostages who had been languishing in Lebanon for months — precisely on the day the European Community met to adopt anti-Syrian measures. Finally, resorting to the ultimate diversion, a Lebanese newspaper controlled by Syria dropped a bombshell, printing the first story about Washington's contacts with Iran.

As devious as Syrian propaganda may be, it cannot erase what was uncovered in London. Besides, the Hindawi trial hardly reveals the extent of Syria's complicity in terror. "Complicity" may be the wrong word. "Masterminding" is better. For Syria is implicated in dozens of other terrorist attacks, from West Beirut to West Berlin.

The Syrian official who mismanaged the London operation, Col. Mohammed Khuli — he is chief of Air Force Intelligence and President Hafez al-Assad's longtime confidant — also engineered the more successful bombing. In March, of the German-Arab Friendship League in East Berlin. Syria's Embassy in East Berlin was the conduit for the explosives, and one of Colonel Khuli's deputies personally delivered them to West Berlin. Charges have been pressed against Nezar Hindawi's brother, Ahmed Nawaf Mansour Hazi; and the trial, which began last week in West Berlin, will undoubtedly bring the Syrian connection to light.

How does the Syrian terror machine work? Damascus uses three separate groups to wage its clandestine war. The first is made up of Arab terrorists. Among the most prominent are the group known as As Saiga, the Palestine Liberation Organization faction headed by Abu Musa, and the Abu Nidal group, which Syria wooed and won from Iraq. Syria also hosts sundry other P.L.O. groups, including those led by George Habash, Nayef Hawatmeh and Ahmed Jabril. All are headquartered in Damascus and carry out terror attacks at Syria's behest. Thus, the Abu Musa gang attempted a bombing of an El Al plane in Madrid in June (the captured terrorist had a Syrian passport and admitted he had been sent from Syria) and carried out the midair bombing of a T.W.A. plane in February.

Isabella Rossellini Assesses The Role That Haunted Her

By LAURIE WINER

In the most controversial scene in the year's most controversial movie, "Blue Velvet," an alluring if unhinged nightclub singer named Dorothy Vallens (Isabella Rossellini) is forced to enact an elaborate sadomasochistic sex ritual — replete with strange incestuous allusions — that she doesn't wholly dislike. Dorothy's "attacker," the totally demented Frank (Dennis Hopper), alternately becomes her depraved child and despot father in the bizarre game that entangles both of them — as well as the sash of Dorothy's blue velvet robe. "Dennis says that is not a rape scene; it's our love scene," says Ms. Rossellini, laughing. And, quoting from the subservient Dorothy, she hastens to add: "O.K. sir, O.K. Frank."

"Blue Velvet" is Ms. Rossellini's fourth film, but it is the first that offers her a role strong enough to display the star quality of an impeccable movie pedigree. Born to Ingrid Bergman and Roberto Rossellini in 1952, just three years after their adulterous affair scandalized the world, Ms. Rossellini is no stranger to controversy. She says she was aware that playing Dorothy could be potentially damaging, but that she saw it essentially as "a role I was haunted by and felt I wanted terribly to try."

Written and directed by David Lynch, "Blue Velvet" has been called both "the sickest movie ever made" and "the work of a genius naïf." It takes place in Lumberton, a fictitious American town that is, on the surface, comically benign. That is until the film's young hero, a college kid named Jeffrey (Kyle MacLachlan), finds a severed ear that leads him — not unwillingly — into a netherworld of drugs and sex and violence.

Ms. Rossellini exudes the easy grace and serenity that pervade her Lancome advertisements. Since 1982 she has been one of the world's highest-paid models. As Dorothy, however, Ms. Rossellini adopts a whacked-out expression that gives way only to carnality when she warms up to her sexual bondage.

"It never happened to me before, but when I read the part I knew immediately who Dorothy was," says Ms. Rossellini in the husky voice and



The New York Times/Christopher Little

The actress off-screen. Coming up next is a role in the film version of Norman Mailer's "Tough Guys Don't Dance."

continental accent that is so disarmingly close to her mother's. "I saw a woman who was totally victimized, who has lost all her rationality, who is only emotions. My only doubt was, is what I imagine about Dorothy the same as what David Lynch intends to have me play? I knew that the only way I could play Dorothy was just the way I perceived her, because obviously I felt it was very risky."

Ms. Rossellini's intense sympathy for Dorothy led Mr. Lynch to cast her in a role that she feared she did not have the experience to handle. Mr. Lynch was introduced to Ms. Rossellini in a restaurant and he saw in her "some sort of a sadness, a mystery, something I didn't understand," he said. "There were other actresses who understood the role, but Isabella wanted so much to get to where Dor-

thy was. She felt it all."

The spontaneous accord between actress and director eliminated the need to discuss the role at any length, she says. "Everybody has a brain that flashes images that are strange," explains Ms. Rossellini. "We don't pay attention to those; we are trained to have an intelligence that is rational, that follows certain paths. But David pays much more attention to that, the images of emotion. That is what led us not to talk, because it wasn't logical anyway, but to begin and do it. The things we did were weird, but it wasn't just playing weird; it had a feeling of rightness to it. It fit in with the emotions of the characters."

The finished film, says Ms. Rossellini, is "very close to what I imagined when I first read the script." She adds, "No one expected the movie to be as well received as it was. So I always felt affectionate toward it, like it was something that needs your love because it's not going to get it from anybody else."

"Blue Velvet," of course, alienated some viewers who felt that its depiction of violent sex somehow condoned sadomasochism, but many viewers and reviewers of the film agree with David Lynch that "Blue Velvet" is essentially a sophisticated coming-of-age movie about a boy, Jeffrey, who becomes a man through experience, albeit violent experience.

"To me, it's an extremely moral picture," says Mr. Lynch. "It doesn't hurt to know about things or even to experience them. You know it would hurt to, say, experience a bullet through the head, but other things you're not so sure about. And these things might be so alluring that you don't care anyway. Jeffrey enters this danger, the danger of knowledge, and he gains insight because of it. He also does some good in the world that he enters; he helps Dorothy."

Adorned in blue eyeshadow, carmine lipstick and a cheap wig, Dorothy sings in a joint called "The Slow Club." Performing only ballads with the word "blue" in the title, she manages to put together a tattered glamour, like a remnant from a 40's movie, that is palpably distressing when her stare floats into the smoke-filled club. Ms. Rossellini eschewed method acting in order to embody the disoriented Dorothy. "I was only Dorothy for the time I was required to be her," she says. "After 12 hours on the set I needed to come out of it and unwind, to be by myself and not talk about the film."

She was understandably relieved that Dennis Hopper also chose not to live the role of the perilous Frank. "He wasn't so paternal or protective that it was impossible to be frightened of Frank," she says. "Yet he didn't intimidate me at all. It was important for me, to trust Dennis, which I did. He was mostly sardonic and

Arts & Leisure

very comical. He found a way to be a fellow actor."

When Dorothy finds the amateur sleuth Jeffrey hiding in her closet, she turns on him with the viciousness she has learned from her encounters with Frank. "She's finding out that power is a game and that you can be on one side or the other," explains Ms. Rossellini. "And for Dorothy it's the beginning of salvation, of feeling that she could be something other than the victim of Frank."

That's what brings Dorothy, in the film's surreal finish, to arrive one night at Jeffrey's house — battered and naked like a white apparition rising out of ordered suburbia's deepest fears. She emerges from the bushes, arms out in front of her, exposing her bruised body to all in a pathetic plea for help. It was this scene that caused some reviewers to wonder, proprietarily, if the daughter of Ingrid Bergman wasn't being exploited or degraded by "Blue Velvet."

Ms. Rossellini, who says she did not read the film's reviews, finds that accusation belittling. "That is suggesting that David Lynch used me or photographed me badly to ruin my reputation. I resent that because first of all I think it would hurt his feelings. But also it takes away from me, from my judgment. It says that I'm so helpless that a director can make me do something I don't want to do. I'm not a kid. I understood the film. It's beyond that — I loved it." She contends that it was precisely the lack of prettification that made the nude scene possible for her. "I didn't want to lose weight or be lit in a protective way or do three weeks of intensive exercise. That would have made me so embarrassed, to try to look better, to try to titillate. Then I could never have done the scene."

Because most of her scenes involved nudity or violence or both, only the essential number of crew members were allowed on the set during shooting. "Some of the crew might have thought that I was not very friendly," says Ms. Rossellini. "But when you have to do things that could be embarrassing, people tend to make a joke to relax you, and I was afraid maybe someone would say the wrong thing, the thing that would freeze me. By doing a part like that you expose yourself to people's thoughts; you know, 'Is she suffering? Is she going through hell?' Or 'She's

eating like hell; isn't she on a diet?' I knew that was going on and I avoided it very carefully."

Ms. Rossellini's five-year, \$2 million contract with Lancome was about to come to renegotiation just as "Blue Velvet" was being released. "One has to wonder what went through the mind of Jean Levy, president of Cosmair, Lancome's parent company, when he watched his international model compel the film's hero to strip at knifepoint after she fishes him out of her closet."

"I am very thankful to Lancome because I put them through a lot," says Ms. Rossellini. "Three months after I signed the five-year contract I got pregnant. They had to photograph me only above my big belly." She laughs. "And I wasn't married. Then I got married. They had two years of peace. But I got divorced. Nowadays it's all right but still they wish that none of that would have happened. Then I do 'Blue Velvet.' So I am thankful because I know how hard it's been."

Lancome did extend Ms. Rossellini's contract for two more years, but not before the mostly favorable press reaction to "Blue Velvet" came out. For her part, Ms. Rossellini was prepared to lose the contract. "Many of the people who work with me said that if I did 'Blue Velvet,' it might be the end of my career," she says. "No one said it would help my career. But I thought I'd rather do one film that I really feel, that I really understand, and take the risk. Not that I don't want a career, and to be successful; I want that. But I can't change my behavior to get it. That would make me so depressed."

Ms. Rossellini's story illustrates how far society's mores have shifted since the day in 1949 when her mother left America to film "Stromboli" with Roberto Rossellini. While still married to her Swedish husband, Petter Lindstrom, Miss Bergman became pregnant by Mr. Rossellini. For this she was reviled in the United States, which had once worshipped the screen beauty for the goodness she radiated. In fact, Miss Bergman had early on rebelled against David O. Selznick's vision of her as a star who could play only virtuous women. She fought hard to win the role of Ivy, the barmaid tart in Victor Fleming's 1941 "Dr. Jekyll and Mr. Hyde" after she had been cast by Selznick as the placid fiancée of Dr. Jekyll.

FILM VIEW

JANET MASLIN

Villainy Returns (Heh! Heh!) To Work Its Wonders

The oblivion-bound action film "Quiet Cool," about murderous marijuana farmers in the Pacific Northwest, contains just one interesting feature: a trio of silent, scowling villains whose hair is dyed black, white and red, respectively, and who glide through the film on motorcycles, making trouble. There's nothing terribly imaginative about their motives or their methods. But their mere appearance is enough to suggest a degree of cleverness, even if nothing else about the film matches it. Sometimes a stylish villain, or in this case three of them, can work wonders. The right villain can do anything, from establishing a film's sophistication and setting its visual style to using a few quick, well-chosen strokes to determine its moral tone.

The villain need not be on camera long to make his or her presence felt. All that matters is a strong impression, and preferably a peculiar one. If a director can dress his bad guys in baseball uniforms and put them on roller skates, as Walter Hill did in "The Warriors," so much the better. But the effect needn't be showy or elaborate to sink in. Sometimes it's the tiniest touches, like the peace symbol on the belt of the serial killer in "Dirty Harry," or the mice beloved by Count Fosco in Wilkie Collins's novel "The Woman in White," that are the most sinister.

Villainy will never go out of style, but in recent years it has fallen on hard times. Today's deliberately flat, affectless fiction rarely assigns moral culpability in the way that, say, Dickens did. Bad things may happen, but rarely is anyone to blame. And on the screen, the conspiracy-minded mid-70's films that yielded such amazing denouements (the little-seen "Winter Kills" remains the reigning champ in this genre) have long since gone out of style. Horror films keep their villains faceless, and the live-action cartoon style that produced Darth Vader rarely creates anything more complicated than images of absolute malevolence. But a really engaging villain knows better than to wear his heart on his sleeve.

Lately, the worm has been turning, as the more interesting brand of scoundrel enjoys a resurgence. A number of current films contain scene-stealing villains of unusual vividness, figures who powerfully color the films that they inhabit. The extent of their actual physical presence is unimportant: John Glover's performance in "52 Pick-Up" takes up nearly as much screen time as that of the leading man, Roy Scheider, whereas Keith Buckley's appearance in "Half Moon Street" isn't much more than a walk-on. And Ray McAnally's role as the Pope's envoy in "The Mission," while pivotal, is clearly subsidiary to the struggle over which he has jurisdiction. But each of these performances is of critical importance to the film that contains it, especially since none of the films is an unqualified success. In each of these films, expert villainy helps elevate the story that surrounds it.

The lurid "52 Pick-Up," which is easily the liveliest and most enjoyable film of the three, actually contains a trio of oddly-matched hoodlums, with Mr. Glover doing a diabolically fine turn as their ringleader. They have joined forces in an elaborate scheme to blackmail a married businessman (played by Mr. Scheider), using films of him with his mistress. Inflation has caught up with this 1974 Elmore Leonard story, making the payment of the title — \$52,000 — seem like relatively small change, but that only contributes to the atmosphere of pettiness in which the story unfolds. What makes the blackmailers, and particularly Mr. Glover's Alan Raimy, so memorable is the combination of viciousness and ineffectuality with which they approach their chosen profession.

One look at Raimy's lair, and the audience knows that his is not a top-flight blackmailing career. The place is lined with mirrors, red drapes and flashing lights, and it doubles as the set for the pornographic movies Raimy makes as a sideline. One key scene finds him busy with his camera, wearing skimpy black underwear, a silk robe and — maybe to see through the viewfinder more easily,

maybe in homage to John Ford — an eyepatch. The director, John Frankenheimer, who makes an impressive return to the crackling, mean-spirited action style of his own "Black Sunday," also displays a cutting edge of humor.

Raimy's sidekicks are Leo Franks (Robert Trebor), the plump, nervous, homosexual proprietor of a porno parlor, and Bobby Shy (Clarence Williams 3d), who staggers through the film with his hair nappy and matted and his face in a deliberate daze; when he needs to, though, Bobby can readily drop that pose and snap to full attention. When these three appear in the same scene, the mismatch is as visually comic as Mr. Leonard's dialogue (written with John Stepping) is sharp. And the teaming of these strange bedfellows does wonders for the cat-and-mouse game launched by Mr. Scheider's businessman, who begins shrewdly playing them off against one another. But it's particularly Mr. Glover, with his icy, thin-lipped smile and his mockingly businesslike approach to blackmail and murder, who gives the film its profound nastiness and its sardonic personality.

In a subtle way, Mr. Buckley's brief appearance in "Half Moon Street" also establishes the film's larger mood, in that he embodies the playful superiority that ultimately seduces the story's heroine. Mr. Buckley appears as Hugo Van Arkady, the droll aristocrat who makes a quick but overwhelming impression on Dr. Lauren Slaughter (Sigourney Weaver) when she meets him at a dinner party. Van Arkady's hauteur and audacity strike a resoundingly sympathetic chord in her, and put her far more fully under his spell than she realizes. Though Van Arkady, played with a wonderful urbanity by Mr. Buckley, who sounds a lot like the late James Mason, does not reappear until much later in the story, he establishes, mirrors and manipulates a key facet of Lauren's character, thereby becoming essential to the story as a whole. Indeed, the rest of "Half Moon Street" is so chilly and off-putting that Van Arkady's sly charm becomes its most appealing aspect.

Mr. McAnally's appearance in "The Mission" isn't strictly in a villainous capacity, since his role as the 18th-century papal envoy who determines the fate of Jesuit missionaries in South America also has its dimension of failed nobility. Altamirano, the cardinal whom he plays, is presented as a good man tragically aware of his own perfidy. The performance is as elegantly understated as the conception is banal, since the screenwriter Robert Bolt defines Altamirano's moral conflict in such lofty, and essentially familiar, terms. But Mr. McAnally becomes so much more stately and knowing a figure than either of the film's two stars, the penitent former slave trader played by Robert De Niro and the indignant Jesuit played by Jeremy Irons, that he gives the film some of the real thoughtfulness it so badly needs, and might otherwise lack.

Last but hardly least is the villainous performance most apt to be remembered long beyond this movie season: the one so authentically perverse that the film containing it takes on a chilling extra dimension. When Dennis Hopper was cast as the wild-eyed, sadistic Frank Booth in "Blue Velvet," he reportedly announced his close personal identification with the character, thus giving the rest of the cast a bad scare. But Mr. Hopper has put his own personal quirkiness to extraordinary use, becoming even more disturbing than the rest of this brilliantly unsettling film. Could any other actor have been as deeply unpleasant and as ferociously uncontrollable as Mr. Hopper is here, in what looks like the key performance of his long and erratic career? Not likely.

To be this uniquely and unforgettably ghastly, to embody so fearfully the darkest depths of personality — surely that is villainy's finest contribution. In "Blue Velvet," Mr. Hopper truly touches bottom. And by so doing, he reaches the highest pinnacle to which any bad-guy actor can aspire.

"Dear Marty and Annie Hall,"

BY NANCY W. ATKINSON/Puzzles Edited by Eugene T. Malachuk

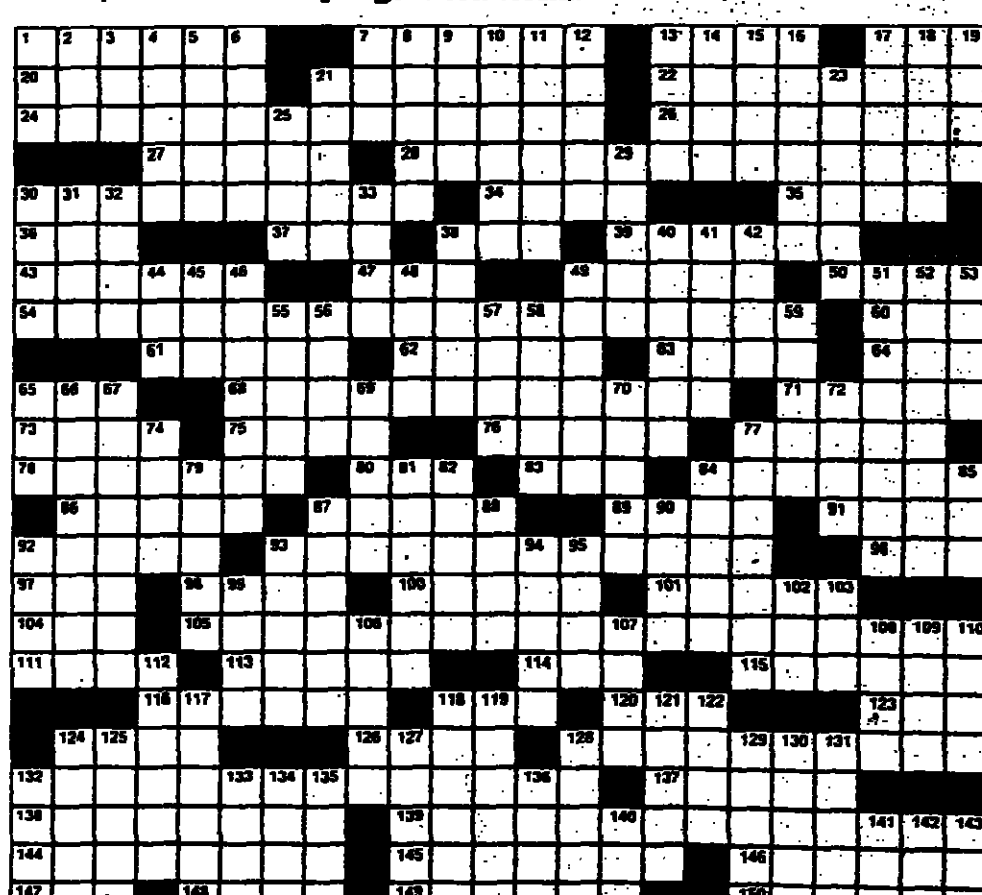
ACROSS

- 1 Tribal symbols
- 7 Coss
- 13 Goals
- 17 Arafat's gp.
- 20 Of part of the eye
- 21 Thumb-twiddler
- 22 One who is lower-dovey
- 24 "YOU KNOW US AS"
- 26 Thin sheet of metal
- 27 White compound used in pottery
- 28 WHO WANTED —
- 30 SO WE BOUGHT A BUSINESS JUST —
- 34 Cousin of etc.
- 35 Oscar winner: 1958
- 36 Auth. of "Ash Wednesday"
- 37 Halfucingen, for short
- 38 Put in operation
- 39 Helmet-shaped flower parts
- 43 Utah Indians or mountians
- 47 Hostel
- 49 Test formulator
- 50 Medical pause
- 54 LAST MONTH

- 60 Catch a glimpse of
- 61 Les — Unis
- 62 Actor Richard Widmark
- 63 Interlock
- 64 Elliptical ornaments
- 65 Swath; bank
- 66 IN WALKED
- 71 Relating to wheels
- 73 Grabby or gung-ho
- 75 Just around the corner
- 76 Companion of drabs
- 77 Corn pest
- 78 WITH —
- 80 Friend, in France
- 83 Quattro preceder
- 84 THEY TOOK OVER OUR SMALL —
- 86 American blacksnake
- 87 Use up shekels
- 89 Mine, to a mbeur
- 91 Pliny's 30th year
- 92 Fish
- 93 AND MOVED INTO —
- 96 B-F links
- 97 Auction action
- 98 Brainchild
- 100 Of the throat
- 101 Peterman's material
- 104 Footaraw
- 105 PLEASE
- 106 NEXT US AT THE —
- 111 Ship-shaped clocks

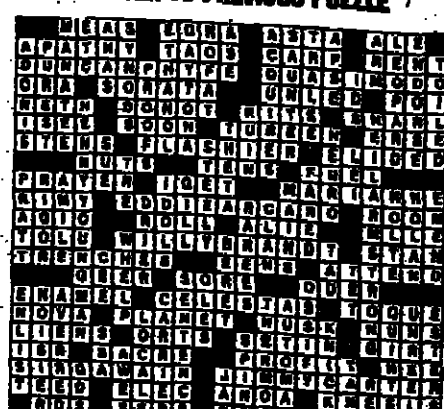
DOWN

- 1 Familia member
- 2 Eight-time Norris Trophy recipient
- 3 Highlands
- 4 A relative
- 5 "Giant" actor
- 6 Bureau accessory



- 7 Pile
- 8 City on the Allegheny
- 9 Spill over messily
- 10 Soprano guitars
- 11 Unfold a tale
- 12 Featherly palm
- 13 Italian wine center
- 14 "— the Mood for Love"
- 15 — Blanc, in the Alps
- 16 Queen of Spain
- 17 Stage
- 18 "— pray"
- 19 A son of Jerahmeel
- 21 Pairs
- 23 Showing know-how
- 25 Cambodian coin
- 28 Baylor of N.B.A. fame
- 30 Savate sheath
- 31 "Pleasure's —"
- 32 Commissioned to go
- 33 Emulate Greeley
- 38 Deprived of nutrition
- 40 Varnish ingredients
- 41 French artist: 1861-1935
- 42 Old English letters
- 44 A relative
- 45 At the age of: Abbr.
- 46 Capt. Kirk portrayer
- 48 NASA negative
- 49 Exert (oneself)
- 51 Abstruse
- 52 Author of "Not So Wild a Dream"
- 53 A shade of blue
- 55 Cohen's first wife
- 56 "Into — of dew": Field
- 57 Moved, jocular: Abbr.
- 58 This is sometimes lost
- 59 Beat
- 65 Sovereignty, in India
- 66 Amul
- 67 — of Menlo Park
- 69 Muscat, for one
- 70 Building girder
- 72 Evangelist Robert
- 74 Art style revived in the 1960's
- 77 — book well to go
- 79 Purger of Stalin's opponents
- 81 Scanty, British style
- 82 Data for a computer
- 84 Fastigate
- 85 Foulard
- 87 "Behold, I was — in inquiry"
- 88 "Babous" author
- 90 Patch up
- 92 He wrote "My People"
- 93 Basse — Guadeloupe
- 94 Eastern noble
- 95 Trampled on
- 96 Jacks, to London tots
- 102 Start of a canine name
- 103 Mo. of the spooks
- 106 Convex molding
- 107 Mad. Ave. creation
- 108 Danish island
- 109 Chickpea
- 110 Padua inkeeper
- 112 Pesty tyrant
- 117 Bring Silver to a halt
- 118 Radiate
- 119 Acrobatic equipment
- 121 Gonyave et al.
- 122 Swaddle
- 124 Excelled
- 125 O. W. Burri's — "Amer-ican"
- 127 H.H.H.'s "poll-tics —"
- 128 Terminate
- 129 Woman's scarf
- 130 Morris and Luzziski
- 131 Hairdresser's item
- 132 Stuff to the gills
- 133 Other, to San-cho
- 134 Part for piercing
- 136 Bunco
- 138 Sidesplitter
- 140 Suite movement
- 141 Sweetie pie
- 142 Tailcoat
- 143 Comb. form
- 143 Mard. Gras V.I.P.

ANSWER TO PREVIOUS PUZZLE



Wheeler-dealer Boesky gives Wall Street and U.S. Jewry a bad case of nerves

Debate stirs over insider trading

NEW YORK (AP). — The downfall of a wealthy stock speculator could mean the undoing of his cohorts, tarnished images for Wall Street's vanguard and the end of a stock market era.

The potential consequences of the Ivan Boesky insider-trading scandal have made the case an intriguing one.

Even of Drexel Burnham's crew behaved legally, the rumours could topple the firm from the top spot in the merger financing business.

It has renewed the debate over the pros and cons of insider trading. Questions also are being raised about the methods federal authorities use to enforce the laws and tactics used in battles for corporate control.

In itself, the government's case against Boesky represents a fairly clear-cut application of existing laws. It sets no precedents.

"The thing that makes this case what it is, is the individual involved and the amount of money," said Ira Lee Sorkin, former regional administrator of the Securities and Exchange Commission's (SEC) New York office.

Federal law makes it illegal for insiders — people entrusted with sensitive corporate information, such as merger plans or undisclosed losses — to trade securities of the companies involved.

Boesky, whose big deals made him legendary long before disclosure of his wrongdoing, took tips on impending takeover bids for companies, knowing they involved inside information the government says.

According to the government information released so far, Boesky bought stocks based on what former merger specialist Dennis Levine told him.

The stock prices generally rose once the takeover plans became publicly known, and Boesky rolled up huge profits, a portion of which he agreed to share with Levine.

Once he was found out, Boesky promised to cooperate with the government, pay \$100 million to settle the civil charges against him and plead guilty to one criminal charge.

He reportedly allowed the government to electronically eavesdrop on conversations.

Among those reportedly under suspicion is the Wall Street power-

house Drexel Burnham Lambert Inc. The investment firm was privy to corporate plans because it bankrolled scores of mergers and takeover attempts by selling high-yield, low-grade debt, nicknamed "junk bonds."

The New York-based firm has acknowledged that it and several employees have received subpoenas from a federal grand jury and the SEC, but stressed that they don't imply guilt. Drexel said it has been cooperating with federal investigators for months.

Even if Drexel's crew behaved legally at all times, the rumours could topple the firm from the top spot in the merger financing business. Analysts said the cloud hanging over Drexel could cast a shadow over the entire corporate takeover trend.

The SEC found out about Boesky through Levine, a former Drexel investment banker who early in the year was the first to be implicated in the insider-trading case. He agreed last spring to pay a multimillion-dollar penalty and cooperate with government investigators.

Ann Flannery, associate regional administrator for enforcement at the SEC in New York, said extracting a cooperation agreement has become a common practice for the SEC when it settles insider-trading charges.

Some economists and lawyers believe, however, that the insider-trading laws and the SEC's vigorous enforcement of them hinder the flow of information needed to make the stock market operate efficiently. According to this school of thought, stock prices would better reflect the true worth of companies if as much information as possible is in the market.

Insider trading also has been called a "victimless" practice by some critics of the law, who say that someone who sells to an insider gets the price he wants for his stock.

Alan Bromberg, professor of law at Southern Methodist University, disagrees, saying insider-trading laws are necessary to make the market fair for all investors.

"I think ordinary investors are victims, but more indirectly than directly. If you sell your stock at \$40 today and Levine or Boesky buys it knowing that there will be a tender offer tomorrow at \$80 a share, you've clearly lost out," he said.

Federal regulators contend that the practice shakes the public's trust in the marketplace. If investors were to completely lose faith, they might stop buying stocks, which would jeopardize the ability of companies to raise capital.

By WALTER RUBY

Jerusalem Post Correspondent

NEW YORK. — The news that Ivan Boesky, the multimillionaire Wall Street arbitrageur was fined \$100 million by the Securities and Exchange Commission (SEC) for illegal insider trading and barred from further direct trading in stocks, is causing intense discussion in the Jewish community. Boesky maintained close financial connections with other leading Jewish financial heavyweights and played an influential role in both the Jewish community and Republican Party politics.

Boesky served as special assistant on Jewish affairs to the chairman of the Republican National Committee, Frank Farenkopf, and was one of the five wealthy Jewish Republicans who founded and funded the National Jewish Coalition (NJC), a Washington-based organization that encouraged Jews to join the Republican Party. Boesky served as Treasurer of the NJC until resigning abruptly last week.

In addition, Boesky served as campaign chairman of the New York United Jewish Appeal-Federation for a two-year term that expired in July and is believed to have given several million dollars to UJA-Federation. But his best-known Jewish philanthropic connection was with the Jewish Theological Seminary, to which he contributed millions for the construction of the Ivan and Seema Boesky Library. Boesky also donated his family's collection of rare Judaica to the library, including 11th-century Talmud fragments, the classic Tora Sifra Ha-Cohenim, kabbalistic manuscripts and five rare communal books from the Jewish community of Pressburg.

The seminary, in the midst of celebrating its 100th anniversary, appears particularly disconcerted by Boesky's connection. Last week, the New York Post ran a huge photograph of Boesky being carried aloft by Rabbi Ya'akov Rosenberg, JTS's vice chancellor for development, and other seminary leaders during a 1983 reception to mark a \$2m. contribution from Boesky.

According to JTS spokesperson Monica Devins, the seminary received a letter from Boesky November 13, the day before the SEC announced its settlement with him, saying he was resigning from the JTS board of directors and as president of the Seminary Library Corporation.

Asked if the Seminary is considering returning any of Boesky's contributions, Devins replied: "At the moment, I can only say that I don't think it's an appropriate response to the situation."

Hershel Blumberg, an honorary national chairman of national UJA, responded to the same question by saying: "I would doubt [New York UJA-Federation] would return the money since it is unclear what part of the money Boesky contributed was made illegally."

A tie-breaking scare

Boesky's big role in the Jewish community is now a source of embarrassment



Ivan Boesky

(APF)

"I think a lot of people suspected something big was about to happen to Boesky, because he has kept a low profile on the Jewish scene recently, and also dropped out of the news over the last six months in terms of taking part in arbitrage deals," said one source active in the pro-Israel

community. "I doubt most of the Jewish leadership was so surprised."

The source added, "Boesky's behaviour during the Saudi arms sale discussions last May has to be re-examined in light of these revelations. He might well have been trying to curry favour with the administration in order to lessen the punishment he already knew he would receive because of his insider trading activities."

Boesky was one of the few members of a group of 15 Jewish leaders invited to the White House by President Reagan to discuss the arms sale who publicly declared support for the administration's position.

But Chris Gersten, director of the NJC, said: "I don't think the two things should be connected in that way. I think Boesky was reflecting his own personal feelings on that issue. I doubt he was trying to curry favour."

The son of Russian-Jewish immigrants who owned a well-known Detroit restaurant, Boesky made his fortune in little over a decade in a career based on risk arbitrage — the buying and selling of stock in companies that are likely candidates for takeovers by other firms. The one reason Boesky had been phenomenally successful in the arbitrage business was because he obtained advance tips and information otherwise not publicly available on deals that were in the works.

Boesky got his information from Drexel Burnham Lambert Inc. investment banker Dennis Levine, who was indicted on charges of insider-trading last May and later told federal investigators that Boesky had paid him more than \$2m. for the tips he provided.

Boesky has been ordered by the SEC to relinquish \$50m. in illegal profits and to pay another \$50m. in civil indemnities. Like Levine before him, Boesky is reported to have cooperated with the SEC to reduce his punishment. Now other arbitrage specialists are worrying they may be next on line to be stung by the SEC, based on Boesky's information.

The New York Times ran the names of several investors in a limited partnership with Boesky, including several prominent members of the Jewish community. Martin Peretz, editor of The New Republic; Eli Broad, the head of Kaufman and Broad, a Los Angeles-based financial services concern; and Lewis Lehrman, the owner of the Rite-Aid drugstore chain and Republican candidate for New York State governor in 1982, were all named.

Others with substantial investments with Drexel Burnham Lambert, which has been subpoenaed in connection with the Boesky affair are Meshulam Riklis, the Israeli-born president of Rapid-American Corp.; Samuel Belzberg of First City Securities; and Nelson Peltz of National Can Co. None of these investors have been accused of any wrongdoing.

Americans were the stars at Trade Week

Israeli executives still need to learn how to sell themselves

By SIMON LOUISSEON

For The Jerusalem Post

One of the great weaknesses of Israeli business became glaringly obvious during the Israel-America Trade Week conference that ended last Wednesday: Israelis don't sell themselves well.

Now that's not news to anyone but it was interesting to see Israeli speaker matched up against his American counterpart and see how he/she measured up. The Israelis fared about as well as Maccabi Tel Aviv would against the Boston Celtics. They were in a different league.



But if the businessmen did not present their best front, the Israeli politicians at the conference were in a class of their own. No less than seven cabinet ministers spoke, and with Prime Minister Shimon Peres, each tried to outdo the other in the fatuousness, boredom and lack of substance of their speeches.

It may be unfair to attack people presenting themselves in a language other than their mother tongue and then comparing them to Americans who are taught to articulate from the day they enter kindergarten. But for the most part the politicians were using prepared notes, and no amount of familiarity with the English language could have improved them.

Finance Minister Moshe Nissim, for example, again trotted over the well-worn path of the so-called "success" of the economic stabilization

programme. Without downplaying the significance of its most obvious achievement, it is doubtful that many American businessmen were impressed that Israel's cost-of-living index had been cut to a 20 per cent annual rise. After all, that is near the rates that Americans had found so intolerable in the late-1970s, when inflation was at its peak, in the U.S.

They might have been rather more impressed with some details about how Israel plans to rein in rising local production costs or how local capital markets were going to be freed or how the government planned to reduce spending and cut taxes.

Such information may have given them more confidence about their investment decisions than the emotionalism and back-slapping they were generally treated to.

If the Israeli politicians wanted an example of the type of presentation they should emulate then they should have noticed a lot more than the 10-gallon stetson of Texas Agriculture Commissioner Jim Hightower. He came in like a sea breeze on the prairie to deliver his witty and thought-provoking ideas.

Hightower did, in the most entertaining way, what nearly all the American speakers did. He thought carefully about what information would be useful and interesting and he got it off his chest with the greatest impact he could make. He sold himself and his ideas.

Not all the Israelis presented themselves poorly. A number, such as Eli Hurvitz of Teva Pharmaceuticals Industries Ltd., presented well-prepared and interesting addresses. But for others, the less said the better.

The one theme that dominated the conference was that Israel needs to improve its marketing techniques. And these weaknesses manifested themselves in the way many Israelis made their addresses — lack of market research (what does the audience already know), lack of imagination or originality in delivery (few used audio-visual or any other kind of aids), and most of all a lack of ability to sell themselves or their ideas with the same conviction showed by their American counterparts.

Egyptian oil income will fall sharply

CAIRO (Reuters). — Egypt expects to earn \$650 million from oil exports this year, down sharply from \$2 billion in 1985, the semi-official Al-Ahram daily said last week.

It quoted Oil Minister Abdel-Hadi Kandeel as saying in an interview marking the centenary of Egypt's first oilfield that the decline was a direct result of the collapse in world oil prices.

Kandeel also said that Egypt's oil reserves had risen in the past three years from three billion to 3.4 billion tons with the discovery of new fields, especially in the mostly unexplored western desert.

Egypt, which is not a member of the Organization of Petroleum Exporting Countries, exports 250,000 of its production of 870,000 barrels a day.

Market begins trading on fundamentals

Fears early in the week that Wall Street was due for a nasty spill in the wake of Ivan Boesky's find and agreement to cooperate with U.S. investigators, gave way by mid-week to a flight to quality and a brisk rise in the Dow Jones Industrial Average.

Friday the market indicator gained a strong 32.9 points to end the week at 1893.56, compared with 1873.59 a week earlier.

The market began the week with a steep decline, as traders feared the fallout of the Securities and Exchange Commission's widening probe of insider trading. Investors dumped the take-over related stocks that had fuelled much of the market's recent run-up for fear the investigation would damp the market for "junk bonds," the high-yield, low-grade securities used often to finance big acquisitions.

But a rebound began Wednesday, as investors turned to stocks with strong fundamentals, and stayed with the market till week's end.

"We are now in a market trading on fundamentals rather than rumours," said William Lefevre of Advest Inc.

"In the last three days we have had a massive flight to quality with blue chips outdoing everything else," Charles Jensen of MKI Securities noted, on Friday.

No, to Israeli investors CAIRO. — The Egyptian government has rejected several proposals by Israeli investors to develop tourism projects in Sinai, it was reported here on Friday.

The proposals had been submitted following the Peres-Mubarak summit, but at this stage, a senior government official said, Egypt alone will be investing in Sinai.

Israel Lands Administration
Tel Aviv District

Tender for Lease of Plot for Construction of Industrial Structure in Holon — Tender No. 11986/TA

The Israel Lands Administration invites bids from those interested in signing a development agreement with respect to plots, details of which at the time of publication of the tender are as follows:

| Block no. | Parcel portions no. | Plot no. | Approx. area (sq.m.) |
|-----------|---------------------|----------|----------------------|
| 6016 | 30 | 34 | 2717 |
| 5785 | 45 | | |

| Total construction % for 2-storey bldg. | Minimum price (NIS, not incl. VAT)* | Deposit (NIS) |
|---|-------------------------------------|---------------|
| 100 | 386,995 | 50,000 |

* In accordance with municipal building plan 377/Net, plot is scheduled for industrial use. It is permitted to build 50% as a storey of a height up to 8 metres, a basement with an area of regular storey and a gallery with an area of 40% of the storey area.

** Minimum price is based on the development so far undertaken.

Any further development will be charged to the successful bidder, who will make separate payment to the developer.

Participation in the tender is open only to those recommended by the Ministry of Commerce and Industry. (Recommendations must relate to area, size and location of the plot).

The tender documents may be obtained against a non-refundable NIS 20 payment (including VAT) at the Israel Lands Administration office, 116 Derech Patah Tikva (Beit Kalka), during regular working hours.

The final date for submitting applications for Ministry of Commerce and Industry recommendations is December 25, 1986. The final date for submitting bids is 12 noon on January 22, 1987.

Bids not in the tenders postbox at the above time, whatever the reason, will not be considered.

The Israel Lands Administration does not undertake to accept the highest or any bid.

Israel Lands Administration Haifa Municipality Mifnal T'araka Ltd.
Haifa District

Tenders — Leases on 7 Plots in a Workshop/Artisans Quarter — Shufel Wadi Salib — Haifa

Bids are invited from those interested in signing a development agreement with respect to plots appearing in master plan 1826/4-F, allocated for the construction of a workshop quarter, the details of which, at the time of publication of the tenders, are as follows:

| Tender No. | Plot No. | Approx. area (sq.m.) | Permitted (gross) building area (sq.m.) |
|------------|----------|----------------------|---|
| 17/86/H | 203 | 350 | 450 |
| 18/86/H | 204 | 198 | 120 |
| 19/86/H | 206 | 198 | 240 |
| 20/86/H | 211 | 470 | 540 |
| 21/86/H | 242 | 170 | 820 |
| 22/86/H | 258 | 234 | 250 |
| 23/86/H | 280 | 632 | 700 |

| Development Charges (NIS, not incl. VAT)* | Minimum Price (NIS, not incl. VAT) | Deposit (NIS) |
|---|------------------------------------|---------------|
| 73,000 | 79,130 | 10,000 |
| 19,400 | 29,674 | 10,000 |
| 36,700 | 42,714 | 10,000 |
| 87,200 | 118,696 | 10,000 |
| 51,900 | 71,217 | 10,000 |
| 40,800 | 53,713 | 10,000 |
| 113,000 | 102,870 | 10,000 |

* Linked to August 1986 building index, and to be paid separately to the Mifnal T'araka company, according to the infrastructure development agreement with the company.

Tenders documents may be obtained against a NIS 25 payment (including VAT), at the Haifa office, 13 Rehov He'atzmaut, during regular working hours.

Final date for submitting bids is 12 noon on November 28, 1986.

Bids not in the tenders postbox by the above time, whatever the reason, will not be considered.

The Israel Lands Administration does not undertake to accept the highest or any other bid.

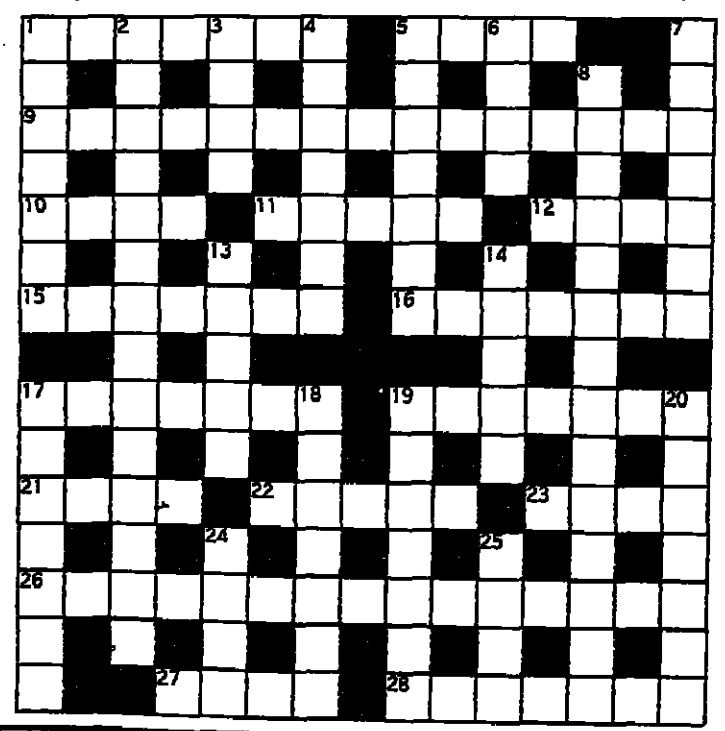
ONE-ON-ONE CROSSWORD

ACROSS

- Ease ache by rubbing with mother's garden herb (7)
- Drink after a kilo of vegetable (4)
- Not a single invalid complaint (6,9)
- Part of the blob end of the ear (4)
- Reveal secret permit to board (5,9)
- Simple food, so change course (4)
- The platform is about to lie for the newspapers (7)
- Be carried in explosive nuclear rocket (7)
- The a.b.c. of mathematics (7)
- The 528th foot in London (4,5)
- Bill's headed off misfortunes (4)
- No lady representative (5)
- Only the first half of the alphabet interests physicists (4)
- Reactionary purpose of a driving mirror (8,7)
- Where a breeder sends his horse collar keeper (4)
- Old copper had his leg pulled apparently (7)

DOWN

- Stubborn beast with a divine heart died totally confused (7)
- Coming unawares upon brick obstacle (9,3)
- Friend stashes everything on the second last letter (4)
- Talk non-stop (7)
- Don't file bar (4,3)
- 100-watt 2-volt bulb (4)
- Let bank arrange overall cover (7)
- Continually peep at what my boyfriend gave me! (10,4)
- Maybe a leg ring displayed by a West Indian dance (5)
- Sort of bomb which can pulverise (5)
- Friendly query as to one's own competence (7)
- Wild because endlessly endangered (7)
- A thousand went fishing but got crushed (7)
- Mother is getting on despite being in a bad way (7)
- Tease a silly fellow (4)
- Got a new dress in Rome (4)



GENERAL ASSISTANCE

EMERGENCY PHARMACIES

Jerusalem: Allison, 10 Yeshayahu, 232553; Balsam, Salah Eddin, 272315; Shu'afat, Shu'afat Road, 810108; Dar Al-Dawa, Herod's Gate, 282056; Tel Aviv: Ziv, 52 Etzel, Hahava, 378403; Lev Ha'ir, 69 Ahad Ha'am, 613682; Netanya: Kupat Holim Clalit, 31 Brodetsky, 91123; Rafi: Yavne, 7 Ibn Sina, 872288; Re'sanae-Kfar Sava: Arza, 36 Ostrowski, Rafanana.

DUTY HOSPITALS

Jerusalem: Bikur Holim (pediatrics, E.N.T.), Hadassah Scopus (Internal), Hadassah Ein Kerem (surgery, orthopedics), Migav Lachoch (obstetrics), Shaare Zedek (pediatrics), Ichilov (Internal, surgery), Netanya: Laniado

POLICE 100

Dial 100 in most parts of the country. In Tel Aviv dial 244444, Kiryat Shmona 4444.

FIRE 102

In emergencies dial 102. Otherwise, number of your local station is in the front of the phone directory.

FIRST AID 101

In emergencies dial 101 in most parts of the country. In addition: Ashdod 41333; Ashdod 22333; Kiryat Shmona 443334; Bat Yam 551111; Beersheva 74767; Nahariya 923333; Carmiel 988555; Netanya 23333; Dan Region 781111; Rehovot 461333; Rishon LeZion 942333; Herzliya 30333; Haifa 512233; Safed 30333; Hertzliya 240111; Tel Aviv 240111; Holon 30333; Tel Aviv 240111; Haifa 56777.

Mobile Intensive Care Unit (MICU) service in the area, around the clock.

"Ezer" — Emergency First Aid, Tel: Jerusalem 227121, Tel Aviv 281142, Haifa 572222, Beersheva 418111, Netanya 35316.

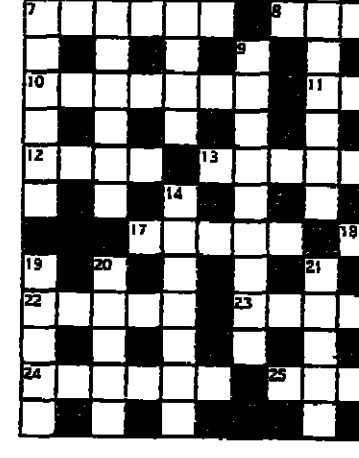
Rape Crisis Centre (24 hours), for help call Tel Aviv, 248819, Jerusalem — 245554, and Haifa 56777.

FLIGHTS

24-Hours Flight Information Service: Call 03-9712484 (multi-line), Arrivals Only (Taped Message) 03-581111 (20 lines)

QUICK CROSSWORD

ACROSS: 1 Tree cutter 10 Playhouse 11 Rest 12 Detect



DOWN: 13 Colourful bird 17 Keen-edged 18 Objectionable child 22 Foreigner 23 Idea 24 Barrel maker 25 Mediaeval political system

1 Idle talk 2 Dishevelled 3 Plunder 4 Copy 5 Rest on water 6 Short arm of river 9 Defame 14 Altered 15 Calamity 16 Dignified 19 Decaduous conifer 20 Pig-headed man 21 Large ion

Yesterday's Solution

B T C P C G A
H I G H T A C E A P O L O C
R S E C U A C
R E S I D U A L S A C H E T
M P A E B H R
D E N T A L T R E A T M E N T
I L S E C
W I L L I A M P E N N A N T
N I B S N D
M A K E C O N C E S S I O N S
C A U E A B I
S T E W A R P E T R A R C H
I A E A T I D H
H O O K E R I D O L A T E R
N E S C N N S

ACROSS: 1 Broad, 4 Tares, 8 Asset, 9 Rapture, 10 Termite, 11 Idol, 12 Den, 14 Code, 15 Airy, 18 Dah, 21 Tube, 23 Routine, 25 Forgers, 26 Irene, 27 Event, 28 Statue. DOWN: 1 Beauty, 2 Observe, 3 Detained, 4 Type, 5 Round, 6 Seemly, 7 Greed, 13 Naturalist, 16 Raiment, 17 Stifle, 19 Brush, 20 Serene, 22 Barge, 24 Meet.

ECONOMIC NEWS

MARKET PLACE

KEN SCHACHTER

Getting a Wall Street address

She wears a modest white woolen suit and a cobalt-blue silk blouse. A rim 1.6 metres, she flashes a disarming smile.

But don't let appearances deceive you. Marisa J. Kramer can stand toe-to-toe with business heavyweights and negotiate her way through stampedes of Wall Street bulls and bears.

What's more, she carries a powerful message: "Information and credit."

Close the "information and credit" gap," she told Israeli executives, if you want to entice U.S. investors.

Tucking the warning neatly into a speech on the merits of listing with an employer, the American Stock Exchange, Kramer chided Israeli companies for their lack of candour.

"Every one of the brokers, investors and analysts I spoke to in an informal survey I conducted said that Israeli companies suffer from an information gap in the States," she said. "They're slow in getting their numbers out, often they don't have an investor relations contact. Getting the numbers out, giving the full story, having someone who can maintain an investor relations contact... is vitally important."

In comments after her speech, the Amex vice president said the information flow shouldn't be stunted regardless of the company's fortunes. "Full disclosure [is necessary] even when the news is bad," she said. "Bad news is going to get out sooner or later. Let the investors know when you know."

Despite the "information gap" which Kramer attributes to the "different investment culture" in Israel — these Israeli companies have raised substantial funds on the U.S. markets.

From January 1980 to October 1986, Israeli companies raised \$427.5 million on 29 issues. Twenty-seven Israeli and Israeli-affiliated companies are traded on U.S. exchanges: 18 over-the-counter, eight on the Amex and one on the New York Stock Exchange.

Kramer, a Harvard-trained economist, said the Amex offers numerous advantages for Israeli companies not yet on a U.S. exchange.

"Compared with the Nasdaq over-the-counter listings, she said, the Amex offers greater visibility. Investors find it easier to get information on Amex stocks because they're listed in more newspapers and more items are reported. "If you ever tried to get the price/earnings ratio or dividend of an over-the-counter stock, you'll know what I mean," she said.

She also noted that the price of Amex stocks remains more stable from trade to trade, a market function called liquidity.

"By and large," she said, "those stocks on the Nasdaq have more price changes and lower liquidity than those on the Amex."

In her side presentation Tuesday at the Tel Aviv Hilton, Kramer also cited some advantages the Amex holds over the prestigious New York Stock Exchange.

On the Amex, a medium-sized company won't be dwarfed by such NYSE giants as IBM. Further, once a company is listed on the NYSE, withdrawal requires a two-thirds vote of shareholders.

"I've heard it compared to a Roach Motel. You get on, but then it's very difficult to get off," she said. "By listing on the Amex, you keep your options open. You can always leave to go to the New York or to the over-the-counter market. There's no red tape in either decision."

What sort of companies is the Amex looking for? Kramer said the profile — "mid-size, innovative, entrepreneurial with excellent growth prospects" — fits many Israeli firms. "Whether you're high tech really doesn't matter to us," she said.

An alternative avenue linking Israeli companies and U.S. investors could be a "country fund," Kramer said. Under such a scheme, investors pool their money and the fund managers invest in public and private companies within the target country. Such a fund already exists for France on the NYSE.

"It's all the rage," Kramer said. Still, regardless of the formula, Kramer said, Israeli companies must become more open to win the confidence of the investing public. "You can't just take the money and run and think that's the way to make it in the U.S. market."

Fourth quarterly loss in row posted by ECI

Post Economic Staff
ECI Telecom Ltd. posted its fourth successive year-on-year quarterly loss and sales decline in the three months ended September 30, but it was able to narrow its loss from the second quarter and boost sales.

In an unaudited, consolidated statement released Thursday, the company said its net sales declined 15.5 per cent in the June-September period to \$4.41 million, while it turned in a \$1.59m. net loss, equal to 32 cents a share. In the third quarter of 1985, ECI had squeezed out a \$19,000 profit.

For the nine months ended September 30, the company's net sales dipped 19.8 per cent to \$13.43m., while the company ended \$6.19m. in the red, equal to \$1.23 a share.

ECI, which manufactures and markets telecommunications systems for military and commercial uses, noted, however, that third-quarter sales were up 10 per cent from the second quarter while its losses were cut 46 per cent.

It attributed both improvements to cost-cutting programmes begun in the second quarter, which entailed

dismissing 20 per cent of its workforce by the end of August and reducing salaries.

The company offered no explanation for the continuing losses in the statement accompanying its results. In the past, the company has attributed its troubles to the effectively frozen shekel/dollar exchange rate, which boost exporters' local production costs without compensating them with increased value for their dollars. It also blamed losses on its reliance on low-profit sales to the Defence Ministry.

Despite continuing troubles, ECI said its research and development programme "continued at previous levels" in the third quarter in preparation for production of its new DTX-240 system. The systems have been ordered for use in the first transatlantic fibre-optic cable.

The company also said it recently signed two co-production agreements with two major Western European manufacturers, which it did not identify. ECI said "these new relationships will enable [us] to increase [our] marketing and sales penetration in the markets served by those manufacturers."

Darousha scores gov't on joblessness

By DAVID RUDGE
NAZARETH. — "Several families here are in the first stages of hunger and real poverty with no work and no income," Knesset member Abdel Wahab Darousha said yesterday.

He was commenting on statistics released by the local labour exchange that showed that more than 3,000 people from the town and surrounding Arab villages were on the dole.

Darousha said the jobless figures meant that the region had the highest unemployment rate in the country, with over 20 per cent of the working population unable to find jobs. The government had promised special assistance for the area, but apart from the creation of 120 temporary jobs with the Jewish National Fund, nothing had been done, he said.

Darousha warned that unless the government and the Histadrut took immediate steps to alleviate the situation "there would be a catastrophe."

"The fact that some people cannot afford to buy their daily bread or school books for their children causes social and political problems in addition to humanitarian ones."



Abdel Wahab Darousha (Eliahu Harati)

Darousha's comments were echoed by Nazareth Labour Council Secretary Muhammad Abu Ahmed, who said there was no industry in the town or surrounding areas, and no way of absorbing the vast number of unemployed.

The dearth of jobs in the region had forced many residents to find work outside the town and they had been among the first to be dismissed because of cutbacks. The unemployment problem has been exacerbated by the recession in the construction industry, which had previously provided jobs for a large proportion of Nazareth's working population.

Hospitals seeking \$25m.

By JUDY SIEGEL

The Health Ministry yesterday asked the Treasury for a supplementary budget of \$25 million to tide over the hospitals, many of which it said are already running dangerously low on drugs, equipment and food.

According to the ministry, the smaller hospitals are especially hard hit, and many have run out of funds even though the fiscal year does not end until April 1. In recent weeks the ministry has surveyed the financial condition of nine government hospitals.

Intensive-care, dialysis, bone-marrow transplant, and balloon-therapy cardiac units in most of the hospitals received no allocations at all for the current fiscal year.

CURRENCY MARKETS

Dollar's strength likely to continue

The dollar closed higher against major currencies over last week, with the yen being the weakest. The U.S. currency moved higher despite a host of economic statistics that indicated the economy was still sluggish and despite lower interest rates.

On Thursday, a record 2 per cent drop in personal spending was reported. Before that the Commerce Department released its upward revision of third-quarter U.S. gross national product to 2.9 per cent. But this figure was well discounted by the market. The GNP was boosted by a surge in the volatile defence-spending category.

The pound sterling was relatively strong against the dollar. It slipped down early in the week in what seemed to be a delayed response to Prime Minister Margaret Thatcher's assertion that a stronger economy was a precondition to Britain's full membership in the European Monetary System. British output data published last week were stronger than expected.

The dollar is likely to appreciate further to the levels of its recent trading range of 2.06-2.07 Deutschmarks. The U.S. currency's recent strength is a correction to its over-extended drop in recent months. This explains why the dollar has been gaining in the face of weak economic data.

Many operators are also convinced that central banks are prepared to defend the two-mark level and 162-yen level, and are willing to sell when the dollar reaches them. The U.S. currency is basically underpinned against the yen by the recent U.S.-Japanese declaration that further appreciation of the yen would hurt the Japanese economy.

As a result, the wide trading-range situation can be expected to continue with an upwards bias for the dollar.

The column appears courtesy of Boaz Barack Advisory Service.

Earn Sales \$50,000
Hot shot to handle corporate presidents/foreign bigwigs for offshore Electronic Security Communications Equipment Co.

Sell exclusive hi-tech product line. No electronic knowledge necessary. Direct sales experience a must. Some travel occasionally to raise bigwigs. Salary Commission/Bonus. If you're the one, call Mr. Powers (ISRAEL) 03-66-48223.

Are you looking for a BROKER?
Offering the full range of services on U.K. and U.S. Futures exchanges.

Providing daily reports, programs, recommendations and charts based on professional analysis.

Up to the minute stock, bond, option and futures prices, on all world exchanges.

Our managed account — 40% in 8 months!
MERCAVILE CORPORATION
9 Shmuel Hamegida St., Jerusalem.
Tel. 02-221902, 02-243348, 02-242881.

11 a.m. — 11 p.m.

ISOOF — Information and Security Services
Security consultants, general information investigations, commercial and industrial information, market research.

9 Herta St., Tel Aviv 6106, P.O.B. 23196, Tel. 03-282388
Tel. 03-282388/2, P.R.A.

Israel and International Coverage. Members of ASIS, W.A.D., A.I.O.

Tel Aviv Stock Exchange

MARKET STATISTICS

Indices:

| | |
|---------------------|--------------|
| General Share Index | 123.88+0.46% |
| Non-Bank Index | 168.13+1.04% |
| Arrangement | 106.35+0.05% |
| Insurance | 185.79+0.58% |
| Commerce, Services | 207.51+0.74% |
| Real Estate | 202.32+0.14% |
| Industrial | 148.73+0.34% |
| Textiles | 217.59+1.54% |
| Metals | 162.93+2.75% |
| Chemicals | 138.34+0.44% |
| Industrial Invest. | 142.43+0.79% |
| Investment Cos. | 172.84+2.78% |
| General Bond Index | 113.94+0.03% |
| Index-linked Bonds | 115.77+0.12% |
| Fully-linked | 117.50+0.14% |
| Partially-linked | 114.99+0.13% |
| Dollar-linked Bonds | 94.19+0.07% |
| Short-term 0-2 yrs | 111.32+0.01% |
| Medium-term 2-5 yrs | 113.11+0.11% |
| Long-term 5+ yrs | 107.52+0.05% |

Turnovers:

| | |
|----------------|----------------|
| Shares — total | NIS 16,758,600 |
| Arrangement | NIS 2,025,000 |
| Non-bank | NIS 14,732,600 |
| Bonds — total | NIS 6,290,800 |
| Index-linked | NIS 4,020,500 |
| Dollar-linked | NIS 2,270,300 |
| Treasury Bills | NIS 1,127,700 |

| | |
|------------------|-----------|
| Share Movements: | |
| Advances | 201 (171) |
| of which 5%+ | 44 (31) |
| "buyers only" | 8 (2) |
| Declines | 104 (107) |
| of which 5%+ | 15 (13) |
| "sellers only" | 5 (0) |
| Unchanged | 78 (102) |
| Trading Halt | 37 (40) |

| | |
|---------------------|--------------------|
| Bond Market Trends: | |
| Index-linked: | |
| 3% fully-linked | Stable/mixed to 1% |

| | |
|---|----------------------|
| 4.25% fully-linked | Stable/mixed to 1% |
| 5% fully-linked | Stable/mixed to 0.5% |
| Double-linked: | Stable/mixed to 1% |
| Dollar-linked: | Mixed to 1% |
| Arrmon | Mixed to 1% |
| Rimon | Mixed to 1% |
| Gilboa | Mixed to 1% |
| For Curr. | Mixed to 1% |
| denominated Treasury Bills (annual yield) | 20.10-21.50% |

| | |
|---------------------|--------|
| Arrangement yields: | |
| IDB Ord. | 16.80% |
| Unid. 0.1 | 16.49% |
| Discount A | 16.35% |
| Mizrahi r. | 16.43% |
| Hapoel r. | 16.82% |
| General A | 16.44% |
| Leumi stock | 16.76% |
| Fin. Trade 1 | 15.39% |

SELECTED PRICE QUOTATIONS

| Name | Price | Volume | % |
|---------------|-------|--------|---|
| 100NIS change | | | |

| Commercial Banks | | | |
|-----------------------------|-------|------|------|
| (not part of "arrangement") | | | |
| Maritime | 1160 | 1775 | - |
| General non-arr. | 26000 | 587 | +5.3 |
| First Int'l | 3555 | 2087 | +1.6 |
| | 4455 | 3312 | +2.7 |

| | | | |
|-------------------------|-------|------|------|
| FBI | 4495 | 3312 | +2.7 |
| Commercial Banks | | | |
| (part of "arrangement") | | | |
| IDBr | 80170 | 499 | +0.0 |
| Union 0.1 | 59967 | 146 | +0.2 |

| | | | |
|------------|--------|------|------|
| Union U.I. | 33307 | 190 | +0.2 |
| Discount | 103100 | 214 | +0.5 |
| Mizrahi | 33200 | 284 | - |
| Hapoalim r | 54480 | 1186 | - |
| General A | 140020 | 20 | -0.7 |
| Leumi O.I | 34625 | 1290 | - |

| | | | |
|-----------------------|-------|------|------|
| Fin. Trade | 47000 | - | -0.4 |
| Mortgage Banks | | | |
| Leumi Mort. r | 7490 | 1299 | +1.4 |
| Dev. Mort. | 2335 | 686 | -1.9 |
| Mishkan r | 2590 | 1285 | +1.6 |

| | | | |
|-----------|-------|-----|------|
| Tefahot r | 18010 | 293 | -0.3 |
| Merav r | 6300 | 181 | - |

Financial institutions

| | |
|---------|------------|
| Agric C | no trading |
|---------|------------|

| | | | |
|------------------|-------|------------|------|
| Ind. Dev. DD | | no trading | |
| Clal Leasing 0.1 | 20700 | 83 | +8.5 |
| Insurance | | | |
| Ararat 0.1 r | 1442 | 748 | +3.0 |
| ILDC r | 276 | 56680 | -1.6 |

| | | | |
|--------------|------|-------|------|
| Hasnat r | 376 | 86680 | -1.6 |
| Phoenix 0.1 | 700 | 34430 | - |
| Hamishmar | 7230 | 307 | +4.3 |
| Menorah 1 | 2100 | 578 | -2.3 |
| Sahar r | 5860 | 889 | - |
| Zion Hold. 1 | 8640 | 26 | +2.2 |

| | | | |
|-----------------------------|------|------|------|
| Trade & Services | | | |
| Meir Ezra | 1495 | 3499 | -1.3 |
| Supersol 2 | 7035 | 1495 | +3.2 |
| Delek r | 3485 | 3190 | +2.5 |

| | | | |
|--------------|-------|-----|------|
| Lighterage | 14200 | 33 | -4.1 |
| Cold Storage | 2030 | 740 | - |
| Dan Hotels | 1756 | 782 | -3.3 |
| Yarden Hotel | 2850 | 148 | +1.1 |
| Hilon 1 | 31037 | 77 | -1.0 |

| | | | |
|--|------|-------|------|
| Team 1 | 1890 | 2910 | - |
| Real Estate, Building and Agriculture | | | |
| Azorim | 845 | 22152 | -0.5 |
| Elzer | 660 | 21755 | -8.2 |

| | | | |
|-----------------|-------|-------|------|
| Elion | 650 | 21756 | -8.2 |
| Africa Isr. 0.1 | 38180 | 215 | +0.6 |
| Danlner | 4950 | 92 | -1.0 |
| Prop. & Bldg. | 3180 | 3331 | - |
| Bayside 0.1 | 4546 | 386 | - |
| ILDC r | 59950 | 328 | +1.4 |

| | | | |
|--------------------|------------|------|------|
| Rasco r | no trading | | |
| Mehadrin | 8470 | 353 | +1.9 |
| Hadarim | 1441 | 2992 | +5.6 |
| Industrials | | | |
| Dubak b | 3910 | 1050 | -0.5 |

| | |
|-------------------|--------------|
| Abbreviations: | |
| s.o. sellers only | b buyers |
| b.o. buyers only | r registered |

CLASSIFIED

DWELLINGS

JERUSALEM
NEEDED ROOM or small apartment for 1/10, 34 months, preferably in Baka. Tel. 02-515170.

TEL AVIV
NORTH TEL AVIV apartment rentals. Contact specialists. Inter-Israel, Tel. 03-294141.

DELUXE STUDIO WANTED, unfurnished, furnished, \$300/400. Principals. CO 4067, P.O.B. 81, Jerusalem 91000.

SITUATIONS VACANT

TOP SALARY to top English typists, shorthand, sales and word processor operators. Immediate employment. Flexible hours. Translations Pool, 100 Ben-Yehuda St., Tel. 03-221214, 03-221214, 03-221214.

THE JERUSALEM POST

Ari Rath
Editor and
Managing Director

Erwin Frenkel
Editor

Eli Noy General Manager
Shalom Weitz Treasurer
Avraham Levin Advertising Manager
Yosef Horn Press Manager
Ray Lewis Circulation Manager

David Landau Associate Managing Editor
David Gross Associate Managing Editor
Yankov Rezel Editorial Editor
Shalom Cohen Op-ed Editor
Hanan Shai Supplements Editor

Founded in 1932 by GERSHON AGRON, who was Editor until 1955; Editor 1955-1974
TED LURIE Editor 1974-1975 LEA BEN DOR. EDITORIAL OFFICES AND
ADMINISTRATION The Jerusalem Post Building, Jerusalem P.O. Box 81
(10100) Telephone 351616, Telex 25121, Fax 351670, TEL AVIV 9 Retov Caribach,
POB 20126 (61201) Telephone 294222, HAIFA 16 Retov Nordau, Hadar Hacarmel, POB
4511 (31047) Telephone 645444, Fax 645446 Published daily, except Saturday, in
Jerusalem, Israel by The Palestine Post Ltd. Printed by The Jerusalem Post Press in
Jerusalem. Registered at the G.P.O. The Jerusalem Post 1986. Reproduction or storage
in a retrieval system, or any other form, prohibited without permission.

Endangering Jerusalem

THE EVENTS of the past week in Jerusalem since the murder of an Old City yeshiva student by three terrorists from Jenin must give pause to all those who assumed that reason would soon triumph and that the peace of Israel's capital would prove impervious to assault.

Most worrying of all is the fact that the government, along with the bulk of the Israeli public, is burying its head ostrich-like in the sand, shrugging off omens of approaching crisis.

Yesterday the government heard a report about the events from police Inspector General David Kraus. Jewish settlers in the Old City's Moslem Quarter, he told the ministers, had been storing up illegal arms, which the police had still been unable to discover. He added that "repentant" ex-ruffians at Shuvu Bonim yeshiva - where Eliahu Amedi had studied - had lately been fouling their Arab neighbours' homes.

This elicited something like a public protest from the Interior Minister, Rabbi Yitzhak Peretz. The well-informed - his own words - Rabbi Peretz knew it for a fact that it was the Arab neighbours who had been harassing the boys. He was thus very much "surprised" by the inspector general's version.

When the minister of the interior, of all people, is not aware of the obscenities that are being perpetrated in his own backyard, and refuses even to admit his ignorance, it is bad news. It may be even worse than the actual news from the Old City, which was bad enough in itself.

What it described was nothing less than a calculated assault - resumed yesterday, after a Shabbat lull, in "celebration" of the end of Eliahu Amedi's *shiv'a* - by Jews against Arabs, with the authorities doing rather less than they might have done to curb the assaulters and to succour the victims. Several Arab families ejected from their burnt-out apartments near the yeshiva remain homeless. And the racist ringleaders who led the attack on the hapless Arabs are still at large.

By violently undermining Israel's claim of right to act as guardian of a city that is holy to all three great monotheistic religions, the Jewish pogromists have been serving the PLO, which they profess to anathematize, the easiest political victory it could dream of winning. Yet Premier Yitzhak Shamir, in commenting on the Jerusalem events in the cabinet yesterday, must have thought he was discharging his official duty by piously appealing to all and sundry to maintain calm.

Jews have had their epithets for this kind of evenhandedness when committed against them by gentiles.

To be sure, it all started with the wanton and deliberate murder of an innocent Jerusalem boy by three Jenin Arabs. Such foul crime deserves the severest punishment, and even some liberals have lately come around to the view that perhaps it should be made punishable by death. Whether the death sentence would deter terror is doubtful. In any case it would have to be applied equally to Arabs and Jews. And it must be remembered that we have seen incidence of Jewish terror.

This is not, of course, a proposition that those hoarse with screaming "Death to the Arabs!" will readily accept.

The executions of Arab murderers is not, in any case, what they are really after. Their grief over the murder of a fellow Jew is also an excuse to declare open season on the Arabs in Jerusalem. They want the Arabs out. And they are not disturbed by the signal warnings from vendetta-ridden Lebanon, or of blood-soaked Belfast.

But sane Israelis - including those in the government - should be.

CRITICISM

(Continued from Page One)

John Poldendexter.

The newspaper quoted the "friends," who are said to have the support of Nancy Reagan, as also proposing that former transportation secretary Drew Lewis replace White House Chief of Staff Donald Regan.

In a separate report, *The Washington Post* said that the CIA, working together with the Mossad, was continuing a sensitive covert operation "designed to increase U.S. influence in Iran."

"The operation is an extension of one initiated by Israel, and according to senior Reagan administration officials, it is designed to gather intelligence and shape the behaviour of the regime of Ayatollah Ruhollah Khomeini and that of his successor," the report said.

The newspaper said that despite White House unhappiness over public reaction to the disclosure of the Iran arms deal, Reagan intended pushing ahead with the covert operation.

Democratic and Republican

VIOLENCE

(Continued from Page One)

against terrorists and terrorism.

Earlier, at a memorial service beside Eliahu Amedi's grave on the Mount of Olives, Rabbi Eliezer Berland, of the Shuvu Bonim yeshiva, said that Arab attacks on Jews were increasing because Arabs believed that Jewish blood could be split with impunity, and knew that if caught they would later be set free.

"The blood of Eliahu Amedi will be redeemed," he said.

Later he claimed he did not intend to call for vengeance, but meant that the answer to the killing of Amedi

was to increase Jewish prayer and presence in the Old City.

An unprecedented police force in buses, cars and on horseback accompanied the 200 mourners who travelled with Amedi's family yesterday morning from their home in the Shmuel Hanavi neighbourhood through East Jerusalem to the Mount of Olives. Police and Border Police lined the route through East Jerusalem, where many Arab shops were closed. The procession of mourners' cars, and the service at the Mount of Olives, took place without incident.

Getting to bottom of black medicine

Macabee Dean

BOTH the painted medicine man in a contemporary Stone Age tribe in a rain forest and the white-coated medical specialist in the world's best hospital know that when something hurts, something is wrong. And for many years something has been badly hurting three groups of Israelis: the senior hospital physicians (those with 10 years or more seniority) practising so-called "black medicine"; the patients who are willing to pay these doctors substantial sums to obtain the same medical help they are entitled to "free" within the framework of the various health funds; and the heads of the health system, both government and Histadrut, who have launched a campaign (which seems quite hypocritical to many insiders) to "stamp out" this plague called black medicine," as Health Minister Shoshana Arbeli-Almosino, recently termed it.

These health leaders see black medicine as a highly destructive weapon eroding the very existence of the lofty principle of socialized medicine: all patients are equal in receiving medical help.

Black medicine has existed for decades. But its fastest growth has been in the past three years, following the largely ineffectual four-month strike of the doctors for better pay and better working conditions. This strike convinced more and more senior hospital doctors to begin working "overtime," i.e., they opened small evening clinics, by setting aside one room in their homes, or by renting an office, to receive private patients. There was a distinct, unwritten understanding between these physicians and their private patients that after the initial payment, treatment would be continued "free" the next day in the hospitals, using public equipment, tests, laboratories, etc.

How many senior hospital physicians practise black medicine? Uneducated guesses place the figure between a low 20 per cent and a high 70 per cent. One key figure in the Israel Medical Association recently estimated the figure at 50 per cent. The wide range in estimates is an indication enough that nobody knows. The doctors themselves are certainly not supplying facts and figures.

And the occasional doctor who is caught is no indication of the scope of the problem, for it must be remembered that the patient will rarely finger his doctor; any fingering is done by that handful of "honest" doctors who want no part of black medicine.

Those practising black medicine are performing a criminal act - i.e., they are using public property for personal gain. But are they criminals? And if so, how is it possible that some 50 per cent - if not more - of the most respected senior hospital physicians in Israel are guilty of ripping off their employers? These are men and women with proven ability, education, knowledge, public standing, and so on. They constitute a sort of elite in Israeli society.

Why have they embarked on illegal methods? Is it because their employers pay them a take-home salary which hovers around the American poverty line?

And why is another elite group in Israeli society, many belonging to the so-called "monied" socialist class, or to the "affluent" private sector, so willing to pay money for a service they are entitled to without additional payment? Why has this second elite turned its back on "socialized" medicine? For nearly everyone (98.2 per cent of the Jews, although only 74 per cent of the non-Jews) belongs to one health fund or another.

The answer to these questions is simple: the socialized medical system is functioning so imperfectly that black medicine has stepped in to

supply the needs and demands of a certain portion of the people. Black medicine, therefore, is something akin (despite the enormous differences) to those outlawed vice services which customers abroad obtain from the Mafia.

THE BIG question, of course, is why socialized medicine of course, is not meeting the needs of the public?

Perhaps, the first reason is that Israelis, because they have their health fund dues deducted at source in most cases, believe that medical services are really free. If they see their doctor once a year, or once a week, the same amount is deducted from their pay cheques. Israelis, therefore, see their primary care doctor about 40 per cent more than do people in other Western countries.

The second reason is that the level of medicine practised by health fund clinics is considered (often very unjustly) as being inferior to that of senior physicians in hospitals. Of the 1,921 graduates of Israel's four medical schools from 1975 to 1984, some 83 per cent are employed in hospitals or doing their residencies there, while only 6.7 per cent joined the clinics. And no one knows if this 6.7 per cent didn't first try to find work in hospitals.

Every diagnosis made by a primary care physician, every laboratory test made in this clinic, is repeated in a hospital if the patient ever arrives there. Clinic and hospital practice constitute two different medical worlds.

Moreover, it takes days in cases of serious ailments for the primary care doctor to make even a tentative diagnosis in complicated cases, since it takes a considerable time until the tests are finished by the laboratories. And if something other than routine is suspected, the patient is sent to join the queue to see specialists at the regional clinic - whose tests also take time to perform, and are again repeated in the hospitals.

Why not by-pass these first two steps, the local and regional clinic, and go directly to the hospital physician by paying him a fee ranging from \$50 to \$150? After all, as the Israeli saying goes: *ha'ikar, habriut*. (The main thing in life is your health).

In addition to using government equipment without paying for it, senior hospital physicians are guilty of another violation. By giving preferential treatment to their "private" patients, they are delaying the treatment of those rank-and-file patients who have routinely worked their way up the medical hierarchy to get to the senior physician.

WHO ELSE is guilty of the crime of preferential treatment?

Ironically those labour leaders, politicians, and party members with *protektzia* - those who are preaching "equality of medicine," those who are waging a bitter war against money buying preferential treatment. Over the years they have become a privileged class where medical treatment is concerned.

Has anyone seen a cabinet member, a member of Knesset, hundreds, if not thousands, of senior civil servants, mayors, heads of large companies, etc. turn up at an ordinary Kupat Holim clinic? Has anyone ever seen a MK stand in line for half an hour to get a prescription filled, and then be told that the medicine is not in stock, and that he should go to the central regional pharmacy, to be told the medicine is not in stock; to come back to his clinic, to stand in line again to have his prescription

stamped so he can buy one's week's supply of a drug at a private drug store - although he needs at least one month's supply - which means he must repeat this routine every week; to go to a private drug store; buy it, then go back to his clinic to be reimbursed for his outlay?

If this system is so good for the common people why is it not good for the privileged class? In all honesty, it must be admitted that many members of the privileged class do not realize that they are privileged. They live in a fairytale. They are like Queen Victoria who used to sit down in the middle of a room, full well knowing that someone would place a chair under her. These privileged believe that everyone gets the same preferential treatment as they do.

But others are outright hypocrites, and make political gain out of denigrating a system which they themselves enjoy - without even the need to make a first initial payment to the senior hospital physician. Each and every one considers himself like an ambulance with a dying patient which is allowed to roar through traffic, breaking all the laws. (But an empty ambulance should obey all these traffic laws).

WHAT are the solutions to the overall mess in the medical system?

First, the clinics should improve their services. But it is doubtful if Kupat Holim can do this, if it cannot solve its "great pill shortage."

Second, the right of senior physicians to practise (as many are now doing) in private hospitals and medical centres should be approved. Here they would not be depriving the rank and file of anything.

But many patients don't want to go to a private hospital or medical centre. They would prefer to follow the black medicine route and save the extra expense, for going to a private hospital is quite expensive; moreover, private installations do not have as advanced equipment as the best government or Kupat Holim hospital. And there is also something comforting in being in a big hospital where back-up medical help, both in the form of experts and in instrumentation, is available.

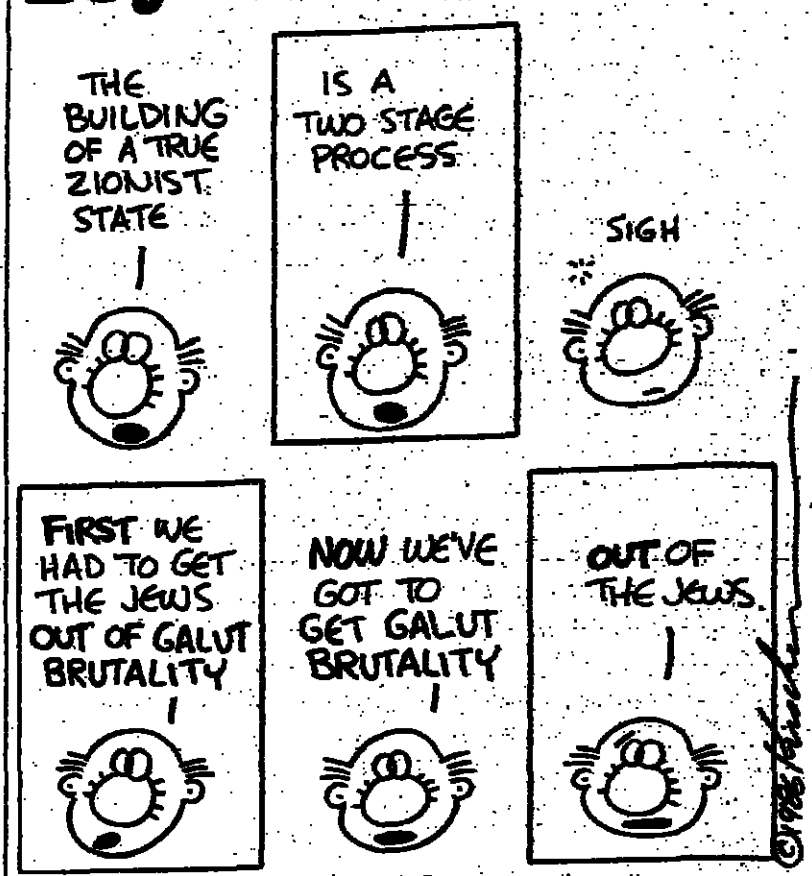
Third, government and Kupat Holim hospitals should introduce a private medical service, patterned after that in a few public hospitals, such as Hadassah in Jerusalem. There, physicians receive private patients in the afternoons, and the fee is split between him and the hospital for the use of its facilities.

Such an arrangement would allow the shifting of most "private patients" to the afternoon hours, using equipment and instrumentation not fully exploited during that time. This would also allow senior physicians more time in the mornings for the rank-and-file patients. Everybody would benefit, and socialized medicine would even be strengthened, since the rank and file would receive faster and better treatment.

But Kupat Holim and the government health leaders prefer to adopt another solution, namely, to "eliminate the plague of black medicine." (And Kupat Holim last week announced it was formulating reforms to eradicate black medicine). Can they honestly eliminate a system in which there is an agreement between patient and doctor, between customer and salesman?

True, they can catch a physician

Dry Bones



now and then practising black medicine, but the main result will be the other physicians will take more stringent precautions against getting caught.

Health leaders also fear that if private medical services are introduced, it will be the first step in convincing senior physicians to abandon government and Kupat Holim hospitals for private ones, causing socialized medicine to collapse.

But this will not happen in the foreseeable future. The best doctors will not move into small hospitals, or medical centres, for the latter will never have the funds to buy equipment of the same standard found in large government and Kupat Holim hospitals.

The government and Kupat Holim can keep the best doctors by simply keeping one step ahead of private hospitals in diagnostic equipment. The most ambitious, the most eager to learn will continue to spend a goodly part of their day in the hospitals, treating ordinary patients, giving their time to public medicine.

Does the medical profession have any tools to force the introduction of private medical practice? They have one tool which they cannot use: to publicize the names of those who receive preferential treatment - while preaching equality. The doctors at Beilinson recently threatened to do this, but then backed down. For this would be a violation of ethics.

But can the medical profession persuade the country's health leaders to attack the cause of black medicine, the breakdown in facilities, and not its symptoms? Can it persuade the authorities that they can never win the fight against black medicine, no more than the police can stamp out the trafficking in hashish?

As long as the public joins hands with doctors in a conspiracy of silence for the benefit of both sides, one can expect an occasional arrest, but no more. Like traffic violations, only those which are serious will lead to arrests. No one has the manpower to do more.

The writer is a member of the Jerusalem Post Editorial staff.

READERS' LETTERS

THE CAUSE OF EMIGRATION

To the Editor of *The Jerusalem Post*: I refer to your report of November 11, "Shamir says emigrants are deserters."

When will our leaders, who travel abroad at least a dozen times a year, have chauffeur-driven cars and expense accounts, realize that the only reason, the real reason forcing people to leave this country is economic?

If they restructure the tax system so that the self-employed remains honestly and gainfully so; give salaried workers enough money to get through the month and put a little aside for savings; then we will see those yordim statistics drop.

No amount of spiritual or national commitment is going to pay the mortgage and grocery bills. What is Zionism if there is no end to debt? Each emigrant is simply voting with his feet. Chances are he'd rather stay.

TAL ROSE

Jerusalem.

SEPARATE FIEFDOM

To the Editor of *The Jerusalem Post*: I was astonished to read in your article of November 7, "Tamiir sees change of style and tone," that the director general of the Foreign Ministry, Avraham Tamiir, had said that "The ambassadors henceforth will give expression to the policies of the ministry and the minister." In other words, the policy of the Foreign Ministry and not that of the government would prevail.

I thought that this was a democracy, the policy of the government came first and that is what the ambassadors were supposed to support. Can it really be that the Foreign Ministry has become a separate entity and is now run separately from the policy of the government? This is a most disturbing situation and people should be made fully aware of it. I hope the prime minister will put his foot down to control the situation before it gets out of hand.

GERALD FLANSBERG

Bar Yam.

YOUR CAR IN ISRAEL

eldan **אלדן**

RENT-A-CAR 337-7170

\$121

per week Unlimited mileage

BEIN GURION AIRPORT 05-872107-4
JERUSALEM 02-680000, 621163
NETANYA 05-200000, 200071
ASHDOLIM 05-2774, 2204
HAIFA 04-30000, 300041 - EILAY 05-74027
TIRATZIM 057-3224, ext. 227
DEIR SHEBA 057-42022

Rent-A-Car

FOR TOURISTS:

FROM \$6 PER DAY

All cars new. Pick up and delivery free.

TAMIR, Rent-A-Car

8 Kibbutz Hatzitza, Netanya, Tel. 053-31831 (day) 053-25743 (night)

Morning at the King Solomon Jerusalem.

Food for thought with The Jerusalem Post.

The King Solomon Jerusalem Hotel distributes complimentary copies of The Jerusalem Post to guests every day.

EGYPT

Daily bus

\$25 - \$20* - One way

\$48 - \$30* - Tel Aviv - Cairo - Tel Aviv

\$73 - \$63* - Tel Aviv - Cairo - Tel Aviv + 3 nights on B.B. basis

\$79 - \$69* - 4 days/3 nights on B.B. basis - panoramic tour

\$125 - 4 days / 3 nights on half board 2 days of touring in Cairo, Giza Pyramids.

\$320 - 8 days/7 nights on half board basis. Touring in Cairo, Luxor and Aswan. Deluxe hotels in upper Egypt.

All the tours are available with deluxe hotels.

We'll arrange your visa (for tourists) the same day (in Tel Aviv only) (subject to Consulate office hours).

SPECIAL OFFER

CAIRO & BACK - 3 NIGHTS HOTEL LOTUS (TOWN CENTER) \$54

Dollar rates for tourists.

Weekend reduction or Youth Fare

Tel Aviv 348 Hovavim St. (03) 521372
222 Hovavim St. (03) 521372
Jerusalem 21, Shmuel Hanavi St. (02) 346588
Tiberias (067) 26350, 20850

Galilee Tours

WORLD BANK PUBLICATIONS

Dollar GNP's of the U.S.S.R. and Eastern Europe

Paul Marer

This book documents the findings of an important research project to assess alternative methods of computing the dollar GNP's and growth rates of centrally planned economies (CPEs). CPEs have not heretofore been adequately represented in international comparisons, especially in relation to dollar GNP's and growth rates, although these countries account for a significant share of the world's production. Defines the best among known methods that can be applied to CPEs as a group and makes use of available data. Concludes that adequate GNP data in national currencies can be derived for most CPEs by adjusting official information known to country experts. Identifies conversion rates based on purchasing power parity information as the best method generally applicable to CPEs for converting such GNP data from local currencies into dollars. Focuses on the U.S.S.R., Bulgaria, Cuba, Czechoslovakia, the German Democratic Republic, Hungary, Poland, and Romania. 256 pages. NIS 47.00

Urban Transport

The unprecedented growth in demand for transport and increases in the costs of energy and construction have exacerbated urban transport problems in the past decade. Such changes have prompted a fresh look at urban transport and its effects on the economic efficiency of cities and the well-being of urban residents. This study sets out the current views of the World Bank on urban transport. 80 pages. NIS 12.95

Putting People First

Sociological Variables in Rural Development

edited by Michael M. Cernea

This book describes a culturally sensitive approach to the preparation, planning, and implementation of rural development projects. It places a strong emphasis on analyzing the social organization of rural populations and their modes of production in livestock projects, community forestry, irrigation and water users' associations, rural roads, fisheries, and agricultural settlements. Examples from World Bank experience are provided and criticism of existing limitations in project preparation is combined with guidelines and practical answers on how to increase the attention paid to local people involved in rural development. 444 pages. NIS 43.00

To: BOOKS, The Jerusalem Post, POB 81, Jerusalem 91000. Please send me the book(s) indicated below. I enclosed a cheque for the appropriate amount.

☐ Dollar GNP's of the U.S.S.R. and Eastern Europe

☐ Putting People First

☐ Urban Transport

☐ Please send me a free catalogue of the World Bank publications.

NAME _____

ADDRESS _____

CITY _____ CODE _____

TEL _____

Please allow 8 weeks for delivery; all prices include VAT.

AUSTRALIAN EMBASSY, 185 HAVARKON ST. TEL AVIV

Will be closed on 26.27 and 28 November 1986 except for emergency business only.

CHANGE OF ADDRESS

AUSTRALIAN EMBASSY, TEL AVIV

As from Monday 1st December, 1986 the Australian Embassy will be located at

BEIT EUROPA (4th floor)

37 SHAUL HAMELECH BLVD., TEL AVIV 64928

TELEPHONE No. 03-250451